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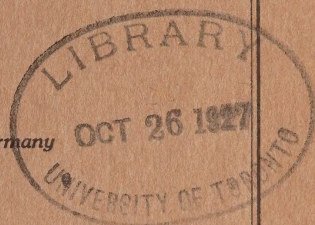
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Czechoslovakia as a Market for Canadian Products

By L. D. WILGRESS

Canadian Government Trade Commissioner in Germany



Price **25** cents

DEPARTMENT OF TRADE AND COMMERCE
OTTAWA, CANADA

Hon. JAMES MALCOLM, Minister F. C. T. O'HARA, Deputy Minister

COMMERCIAL INTELLIGENCE SERVICE
C. H. PAYNE, Director

CZECHOSLOVAKIA AS A MARKET FOR CANADIAN PRODUCTS

By L. D. WILGRESS
*Canadian Government Trade Commissioner
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REPRINTED FROM THE
"COMMERCIAL INTELLIGENCE JOURNAL"

DEPARTMENT OF TRADE AND COMMERCE
COMMERCIAL INTELLIGENCE SERVICE
OTTAWA, CANADA

1927

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CZECHOSLOVAKIA AS A MARKET FOR CANADIAN PRODUCTS

CHAPTER I

Introductory

The conclusion of the Canadian-Czechoslovakian Trade Agreement of December 20, 1926, has directed the attention of Canadians to the possibilities for trading with the Czechoslovakian market. It may be of interest, therefore, to set forth the more pertinent facts with respect to this market.

CHIEF CONSIDERATIONS

The two most important facts to be remembered when considering the opportunities for trade with the Republic of Czechoslovakia are: (1) that it is an inland country and (2) that it is one of the most self-supporting countries of Europe. The former factor is neutralized to a certain extent by the excellent system of waterways provided by the river Elbe, which gives cheap access to the port of Hamburg, the chief gateway to Czechoslovakia from the countries bordering the Atlantic ocean. The self-sufficiency of Czechoslovakia reduces the openings for export to that country.

Czechoslovakia possesses many important manufacturing industries, including within its boundaries over 75 per cent of the manufacturing industries of the former Austro-Hungarian Empire. It is also rich in coal and other minerals, has abundant supplies of forest wealth, and extensive tracts of agricultural land. The republic is independent of foreign countries for the bulk of its requirements of foodstuffs, only having to import in any quantity bread grains, edible fats, and such colonial products as coffee and tea. The import trade of Czechoslovakia therefore is chiefly comprised of these foodstuffs, raw materials for manufacturing industries, and a few finished products not produced in sufficient quantity within the republic. The principal exports are sugar, textiles, glassware, lumber, earthenware, paper, iron products, and coal.

AREA AND POPULATION

The Republic of Czechoslovakia has a total area of 54,198 square miles, which is only slightly greater than the combined area of the three Maritime Provinces of Canada. In shape it is long and narrow, extending for over 600 miles from its western to its eastern extremity. The republic embraces the former Austrian Crown lands of Bohemia, Moravia, and Silesia, and a large part of former northern Hungary, inhabited mostly by Slovaks and Ruthenians, and now known as Slovakia and Sub-Carpathian Russia.

According to the census taken on February 21, 1921, the total population of Czechoslovakia was 13,613,172. The following table shows the area and population of the chief geographical divisions of the country:—

	Area in Square Miles	Population
Bohemia	20,102	6,670,582
Moravia	8,616	2,662,884
Silesia	1,708	672,268
Slovakia	18,887	3,000,870
Sub-Carpathian Russia.....	4,885	606,568
	<hr/> 54,198	<hr/> 13,613,172

The density of population in 1921 was 251 to the square mile. The population is unevenly distributed. The chief industrial centres are located in Bohemia, Moravia, and Silesia, and parts of these provinces rank among the most thickly populated districts of Europe, while some of the mountainous sections of Slovakia and Sub-Carpathian Russia are sparsely settled.

The bulk of the population of Czechoslovakia is comprised of Czechs and Slovaks, who together in 1921 numbered 8,760,937 persons, or 65½ per cent of the total population. There were also 461,849 persons of Russian race and 75,853 Poles. Of the non-Slavs, the most important minority race in Czechoslovakia is the German. According to the census of 1921, there were 3,123,568 Germans in the republic. They are mostly located in the mountainous districts along the western and northern borders of Bohemia, in the northern sections of Moravia, in the city of Brno (Brünn), and in a narrow strip along the southern border of Bohemia and Moravia. The remaining districts of Bohemia and Moravia are almost exclusively inhabited by Czechs. Silesia has a very mixed population of Czechs, Germans, and Poles. In Slovakia the bulk of the population is comprised of Slovaks, with Magyars forming a minority of about one-fifth of the total population. Two-thirds of the population of Sub-Carpathian Russia are Ruthenians of the Russian race. The Jews in Czechoslovakia number 180,855 and are chiefly located in the cities.

LANGUAGE AND RELIGION

Czech is the language most widely used in the republic. Slovak is closely related to the Czech and is chiefly spoken in Slovakia. In Northern and Western Bohemia the people mostly speak German. In corresponding with firms in Czechoslovakia it is often more advisable to use English or French, if any doubt exists as to the mother tongue of the recipient, but letters written in German should be replied to in that language.

The majority of the population of Czechoslovakia are Roman Catholics, the number of adherents of this religion in 1921 being 10,384,833, while Protestants numbered less than a million.

CENTRAL LOCATION

Czechoslovakia has a very central location with convenient access to other European countries. On the north and west the republic borders on Germany, on the south the boundary is contiguous with that of Austria, Hungary, and Roumania, and on the northeast with that of Poland. The river Elbe affords easy communication with Germany and the North sea and the Danube with the countries of southeast Europe, while the pass of the river Oder in Silesia gives an outlet to Eastern Germany, Poland, Russia, and the Baltic. On three sides Czechoslovakia is surrounded by states which are mainly agricultural, and hence large purchasers of the manufactured goods which Czechoslovakia produces.

TRADE ROUTES

The bulk of the trade between Czechoslovakia and the countries bordering the Atlantic ocean passes through the Free Port of Hamburg, where special warehouse facilities have been granted to Czechoslovakia. The river Elbe rises in Northern Bohemia and is navigable throughout practically its whole length. Barges of 1,000 tons capacity, towed by steam tugs, navigate the river from Hamburg as far as Usti (Aussig), while merchandise can be transported in barges of 750 tons capacity up to Prague, which is situated on the Vltava (Moldau), a tributary of the Elbe. In 1925 a total of 1,603 vessels with a capacity of 1,086,583 tons navigated the Elbe from Hamburg to Czechoslovakia and in the reverse direction there were 1,615 vessels of a capacity of 1,146,574 tons. Most of this traffic is carried by a Czechoslovak company.

Silesia is connected with the Baltic by the river Oder, and Swedish ore for the Silesian iron works is transported by way of the river almost as far as the Czechoslovak frontier.

Czechoslovakia has been devoting a lot of attention to the development of navigation on the Danube. Considerable sums have been spent for improving the port of Bratislava, the principal Czechoslovak port on the river. In 1925 a total of 833,882 tons of freight were loaded or unloaded at Czechoslovak ports on the Danube. Bratislava is chiefly important as an outlet for exports from Czechoslovakia to the Balkan countries.

It is estimated that about 17 per cent of the total weight of imports into Czechoslovakia and 13 per cent of the total weight of exports are transported by water, of which the greater part would be comprised of the water-borne traffic on the river Elbe.

Another important trade route to and from Czechoslovakia is through the port of Trieste, and the bulk of the trade of the republic with the Mediterranean countries, East Africa, the Far East, and Australasia passes through this port. Special railway rates apply to Czechoslovak goods in transit through Austria and Italy when consigned to Trieste. These rates are met by the German railways in connection with the traffic to German ports in order to hold the Czechoslovak traffic, so that Czechoslovakia enjoys favourable railway rates for its export trade which diminishes the handicap of its inland situation.

The distance by rail from Trieste to the southern frontier of Moravia is approximately 428 miles, while the distance from Hamburg to the German-Czechoslovak frontier at Podmokly-Decin (Bodenbach-Tetschen) is about 365 miles. Most of the industries of Czechoslovakia and the chief consuming centres are located in the northwestern part of the country and are therefore considerably nearer to Hamburg than to Trieste.

RAILWAYS

Czechoslovakia is well supplied with railway facilities. The total mileage is 8,522, while there are 4,453 locomotives, 8,222 passenger cars, and 113,749 freight cars. The greater part of the railway lines are state-owned and operated under the management of the Czechoslovak State Railways, the system of which extends over all parts of the country. There are a number of private lines, but most of these are being gradually absorbed into the state system. Electrification of certain lines radiating from Prague has already been undertaken and the first part of the program should shortly be completed.

When the Republic of Czechoslovakia was formed in 1918 most of the railway lines, particularly in the southern districts, were based on Vienna or Budapest and there were few facilities for traffic between the west and east of the republic. This deficiency is being gradually made good by the construction of new lines and the double-tracking and strengthening of what were formerly only side lines, but have now become main lines connecting different parts of the country.

CHIEF CENTRES

The chief financial, commercial, and distributing centre of Czechoslovakia is the capital, Prague or Praha, a city with a population estimated in 1921 at 676,476. Prague is situated on the Vltava (Moldau), a tributary of the Elbe, and is surrounded by some of the most fertile districts in the republic. It is an important industrial centre with iron and steel works, textile and machine factories, paper mills, breweries, etc.

The next largest city in the republic is Brno (Brünn), the capital of Moravia, which is a busy manufacturing city and the centre of the woollen

industry of Czechoslovakia. There are 300 factories in Brno making cloth, leather, and iron and steel goods. The population in 1921 was estimated at 221,422. Brno is the chief distributing centre for the province of Moravia.

In Slovakia and the eastern part of the republic there are only two distributing centres of importance: Bratislava, on the Danube, with a population of 93,329, and Kosice, in eastern Slovakia, with a population of 52,699.

Silesia is a very thickly settled province with many industries based on the coalfields. The leading centres are Mor.-Ostrava (population 36,750) and Opava (population 30,000).

Besides Prague there are a number of industrial and commercial centres in the province of Bohemia. The next largest in point of population is Plzen (Pilsen), where the famous Skoda steel works and large breweries are located. The population in 1921 was estimated at 88,447. Pilsen is the distributing centre for Western Bohemia.

In Northern Bohemia the important city of Liberec (Reichenberg) is the distributing centre for a busy manufacturing district with cotton and woollen mills and glass factories. Reichenberg with its suburbs has a population of over 70,000, mostly Germans. Jablonec (Gablonz), the centre of the glass trade, is situated near Reichenberg. Another industrial centre of importance in Northern Bohemia is Usti (Aussig) on the river Elbe, while the twin towns of Podmokly-Decin (Bodenbach-Tetschen) on the Elbe near the German border have a busy transshipment trade and a number of factories. The famous resort of Karlovy Vary (Carlsbad) in Western Bohemia has large porcelain factories and is a trade centre of importance.

In Southern Bohemia the chief manufacturing town and distributing centre is Ces. Budejovice (Budweis), with a pre-war population of 45,140. Budweis is noted for its pencil factories and has also a considerable trade in lumber.

The chief distributing centres in Czechoslovakia therefore may be enumerated as follows: Prague, Reichenberg, Pilsen, and Budweis in Bohemia; Brünn in Moravia; and Bratislava and Kosice in Slovakia.

GEOGRAPHICAL FEATURES

The province of Bohemia is a hilly, well-wooded territory, occupying the upper basin of the river Elbe. A large part of the land is suitable for agriculture, the most fertile districts being along the main valley of the Elbe. On the north and west the boundary with Germany follows mountain features, which are clearly defined although not of great altitude, so that the northern and western fringes of Bohemia are mountainous and heavily forested. The river Elbe breaks through the mountain chain in Northern Bohemia.

Beyond the Moravian hills, to the east of Bohemia, lies the hilly province of Moravia, which resembles the former, and is drained by the river Morava, a tributary of the Danube. Silesia lies to the north of Moravia and is fairly mountainous. The range of mountains is here broken by the well-known Moravian Gap, through which flows the river Oder, affording communication with Eastern Germany and Poland.

Slovakia is a long narrow province, extending east from the river Morava, and is comprised chiefly of the south slope of the main Carpathian mountain chain and foothill ranges extending south. In the northern part of the province the Tatra mountains rise to a height of 8,500 feet. The mountain slopes are heavily forested. Level plains are found only near the Danube, Morava, and Tisa rivers, but the valleys and lower hills have a fertile soil. Agriculture and lumbering are the chief occupations of the inhabitants of Slovakia and Sub-Carpathian Russia.

CHAPTER II

Natural Resources

The Republic of Czechoslovakia is rich in natural resources. The presence of coal deposits in conjunction with unrivalled transport facilities have combined to make Bohemia, Moravia, and Silesia industrial areas of great importance. The principal hard coal fields are located in Northern Moravia and Silesia, where the rich Ostrava-Karvin field forms part of the Silesian basin. Smaller deposits of hard coal are situated in Bohemia; one at Kladno near Prague and another near Pilsen. The chief coal resources of Bohemia, however, are the deposits of brown coal or lignite, which are found in three basins in the northwestern part of the province. These deposits accounted for the great bulk of the pre-war Austro-Hungarian output of lignite. The total production of coal in Czechoslovakia in 1926 amounted to 14,507,576 tons of hard coal and 18,799,278 tons of lignite. Czechoslovakia imports some coal from Germany and Poland, but exports a considerably larger quantity to Austria, Germany, and Hungary.

Iron mines are worked in Bohemia, Moravia, and Silesia, but the output is below the requirements and Swedish ore has to be imported. Among other mineral resources, graphite is mined for the use of the Budweis pencil industry. Semi-precious stones, such as garnets, are found in Bohemia and are utilized in jewellery manufacture. The mineral wealth of Slovakia has been only partly exploited. Gold, silver, copper, lead and rock salt are found in the mountainous districts.

The forests are among the most valuable of the natural resources of Czechoslovakia. There is a considerable export of lumber, pulp, paper, and manufactured wood products. About 11,377,659 acres, or one-third of the total area of the country, are covered with forests. The eastern part of the republic is the most heavily wooded. Forests of coniferous trees account for 53.68 per cent of the forested area, deciduous trees for 30.16 per cent, and mixed forests the remainder. The principal coniferous trees are the pine and spruce, with silver fir and larch in the mixed forests. These comprise most of the forests of Bohemia, Moravia, and Silesia. In Slovakia and Sub-Carpathian Russia beech trees predominate, followed by spruce and pine and then oak. The greater part of the forests of Czechoslovakia are privately owned, many of the former estate owners having retained their forest areas.

AGRICULTURE

Agriculture is highly developed in Czechoslovakia and intensive farming is practised. Co-operation plays a very prominent part. In Bohemia and Moravia the growing of raw materials for the sugar, beer, and spirit industries forms a very important branch of agriculture. In Slovakia cereal crops are chiefly raised, but other branches of agriculture and viticulture are also pursued. In 1925 there were 14,605,000 acres of arable land in the republic, 6,379,000 acres of pasture, and 404,000 acres of gardens and vineyards. The following table shows the areas cultivated with the principal agricultural products in 1926, together with the provisional figures of the yields of the different crops:—

Area and Yield of Principal Crops, 1926

	Cultivated Area Hectares (2,471 acres)	Harvest Metric Tons (2,204 lb.)
Wheat	628,000	929,000
Rye	837,000	1,166,000
Barley	714,000	1,143,000
Oats	847,000	1,380,000
Corn	159,000	265,000
Potatoes	649,000	6,415,000
Sugar beets.....	278,000	6,550,000
Hops	12,000	8,000

The agricultural production of Czechoslovakia is more than sufficient for domestic requirements. There is normally a large surplus available for export of barley, oats, potatoes, and hops, while the agricultural industries produce considerable exportable surpluses of sugar, beer, and alcohol. The bread grains, wheat and rye, and edible animal fats, are the only agricultural products which are required to be imported in any quantity.

The greater part of the soil in Czechoslovakia is of a heavy black character. The most fertile section is the valley of the river Elbe in Bohemia, where sugar beet production is chiefly carried on. In other parts of the country the soil varies from heavy black to clay or sand mixed with marl. Poor soil of the latter character is chiefly found in several counties of southern Bohemia and southwest Moravia. In the mountainous districts of the eastern part of the republic only such crops as rye, oats, and potatoes can be cultivated. The hop districts are in western Bohemia, where a fertile red soil and climatic conditions favour the cultivation of this crop.

According to the last census of live stock in Czechoslovakia, at the end of 1925 there were in the whole republic a total of 740,202 horses, 4,691,320 cattle (of which 2,331,461 were cows), 861,128 sheep, 1,244,701 goats, and 2,539,201 hogs. There were also 1,540,947 geese, 16,037,450 cocks and hens, 96,743 turkeys, and 211,081 ducks.

Agricultural co-operation has been highly developed in Czechoslovakia and the republic is said to rank second only to Denmark in this respect. The farming population has been organized by agricultural councils and corporations based on the voluntary association of interested producers and aided by state and provincial subsidies. Credit organizations were the first co-operative societies formed. These have been established in nearly every village. Later co-operative societies were organized for the sale of produce; for the purchase of machinery, fertilizers, and seeds; for operating creameries, warehouses, mills, distilleries, chicory factories, etc. Co-operation has been most strongly developed among the Czech farmers in Bohemia, Moravia, and Silesia, where there are 3,600 agricultural co-operative societies with 400,000 members. Since the formation of the republic the co-operative principle has also been making great strides in Slovakia and Sub-Carpathian Russia.

Before the war a considerable part of the arable land in what now comprises Czechoslovakia was embodied in large estates. In 1919 a Land Control Act was passed, which expropriated estates of over 375 acres of arable land, or 625 acres of land in general. The process of allotment of the land so expropriated has been proceeded with very slowly in order not to disturb the highly developed organization of agriculture in the republic. By the end of 1925 a total of 1,843,702 acres of arable land had been allotted to small holders, and 381,779 acres remained for distribution.

AGRICULTURAL INDUSTRIES

Of the agricultural industries in Czechoslovakia that of sugar production is by far the most important and ranks as one of the principal industries of the republic. About 92 per cent of the former Austro-Hungarian sugar factories are included in the present boundaries of the republic.

In last season's campaign there had been produced up to the end of March a total of 1,031,106 metric tons as compared with 1,469,855 metric tons in the corresponding period of the 1925-26 season, which was a record production. Of the last season's output, 481,501 metric tons, or about 72 per cent of the total surplus available for export, had been shipped abroad by the end of March, chiefly to the port of Hamburg for transit to other countries—Italy, Great Britain, Austria, and Switzerland. In the previous season 1,086,470 metric tons of sugar were exported. All provinces contribute to the production of sugar, but of the 1925-26 output slightly over half was produced in Bohemia.

Of the other agricultural industries there were 524 breweries in operation last year, the great majority being located in Bohemia. The production of beer amounted to 9,714,199 hectolitres, of which 221,945 hectolitres were exported. Czechoslovakia also has over a thousand spirit distilleries capable of producing more than a million hectolitres of alcohol, molasses from the sugar factories being used as raw material in addition to potatoes.

CHAPTER III

Manufacturing Industries

The Republic of Czechoslovakia embraces about three-fourths of the manufacturing industries of the former Austro-Hungarian Empire. The most important of these industries are the manufacture of glassware, cottons, woollens, linen, iron and steel and machinery, china-ware, leather, wood and paper.

Glassware.—The glass industry is of great importance to the export trade of the Republic. Bohemian cut-glass and Gablonz goods are known all over the world. It is estimated that Czechoslovakia can produce 415,000 tons of hollow glass, 132,000 tons of plate and window glass, and 187,000 tons of special glass per annum. The number of hands employed is about 90,000. Generally speaking, the industry was working in 1926 at around 50 per cent of capacity.

The Gablonz industry is located in the foothills of the Giant Mountains in Northern Bohemia. It is largely a household industry. The workers are supplied with glass rods, which they work up in their own homes. Once a week they deliver the products to the exporting firms, who are mostly located in the town of Gablonz. The products produced cover a wide range of glass art goods, imitation jewelry, beads, novelties and ornaments. Glass bangles for India are one of the specialties of the industry. Well over 90 per cent of the entire production of Gablonz goods is exported abroad. The glass rods which form the raw material for the industry are produced by two firms near Gablonz.

Textiles.—The Czechoslovak cotton industry is also chiefly located in northern Bohemia, in the district of which Reichenberg is the centre. There are in the whole republic 86 cotton-spinning mills with about 3,572,000 spindles. This is about 75 per cent of the spinning mills of former Austria-Hungary. The cotton-weaving mills operate approximately 130,000 mechanical looms. The weaving industry has lately passed through a period of great depression, but conditions are now reported to be improving.

The woollen industry of Czechoslovakia comprises about 34,000 looms and 800,000 spindles for carded yarn and 400,000 spindles for worsted yarn. The majority of mills have lately been working at between 60 to 70 per cent of capacity. The industry is dependent largely upon export trade with the other Danubian countries. The chief centres of the woollen industry are Brno (Brünn), Silesia, and northern Bohemia.

Nearly the whole of the former Austro-Hungarian linen industry is located in Czechoslovakia. There are 26 flax-spinning mills with 284,793 spindles and 140 weaving mills.

Iron and Steel.—The production of iron and steel in Czechoslovakia is about half the pre-war Austro-Hungarian output. There are altogether 27 blast furnaces capable of producing 1,600,000 tons of pig iron. The capacity of the steel works is 1,500,000 tons of steel annually. The present output is about 30 per cent below these figures, the production of pig iron in 1925 being 1,159,000 tons. The chief centres of the industry are Kladno near Prague and Vitkovice, Moravska-Ostrava and Trinec in Silesia. Half of the iron ore required must be imported from Sweden, Yugoslavia and other countries. Only about half the

production of iron and steel is consumed in Czechoslovakia. In 1926 the Czechoslovak producers joined the European Raw Steel Trust and the exports are regulated by international agreements.

The Czechoslovak machinery industry is highly developed. Its products are exported to other countries, considerable quantities of machinery having lately been shipped to Russia. Among the products for which Czechoslovakia has secured a reputation abroad are machines for the sugar-beet industry, agricultural implements and machines of all kinds, railway rolling-stock, and machinery for breweries, distilleries and coal mining. Other products, such as electro-technical appliances, gasoline motors, automobiles, tractors, are also manufactured on a large scale, but chiefly for domestic consumption.

Chinaware.—There are about 70 factories in Czechoslovakia manufacturing porcelain or chinaware. The industry is chiefly centred around Karlovy Vary (Carlsbad), where most of the necessary raw materials and cheap brown coal are available. The industry has to depend to a large extent upon export trade, the products exported including decorated or coloured porcelain, white porcelain and electrical porcelain. In 1926 a total of 30,400 metric tons were shipped abroad, the United States being the most important market.

Leather.—Czechoslovakia has retained about two-thirds of the leather industry of the former Austro-Hungarian Empire. There are about 260 leather factories in the republic, and the principal kinds of leather are sole, chrome, calf, box-calf and kid. The glove industry centred in the Prague district exports 90 per cent of its production to all parts of the world. There are nearly 200 boot and shoe factories in Czechoslovakia with a capacity of forty million pairs a year or over five times the home consumption. The actual output is around 25 million pairs. Czechoslovakia footwear enjoys a good reputation in foreign markets.

Wood.—The forest resources of Czechoslovakia have given rise to a very considerable lumber industry, the products of which are exported in large quantities. There are over three thousand sawmills in the republic. Of manufactured wood articles the largest export is that of furniture, particularly bent-wood furniture, but a number of other kinds of woodenware are also exported, such as toys, wooden cases and musical instruments. For the latter the resonance wood found in the Bohemian forest is the basis of a considerable industry.

Paper.—Czechoslovakia is one of the leading pulp and paper producing countries of Central Europe. There are 76 paper mills with an annual output of 175,000 tons, of which about 60 per cent is exported. The production is very diversified and many special kinds of paper are manufactured besides newsprint and other ordinary grades.

BENT-WOOD FURNITURE INDUSTRY

Bent-wood chairs of Czechoslovakian manufacture continue to be imported into Canada in competition with the products of the Canadian industry. The value of this import in the last fiscal year was \$35,210. These are the chairs which before the war were commonly designated as "Austrian" chairs. Practically all the European factories of importance manufacturing bent-wood furniture are now located in Czechoslovakia, chiefly in the mountains dividing the provinces of Moravia and Slovakia, where there are extensive forests of beech trees.

The most important producing factor in the Czechoslovakian bent-wood furniture industry is the large concern of Thonet-Mundus, Limited. This company was formed two years ago by the combination of three of the largest manufacturers: the firms of Thonet, Mundus and Jacob and Joseph Kohn. The Thonet-Mundus Company control eleven factories in Czechoslovakia, of

which seven are located in Moravia, two in Slovakia, and one each in Bohemia and Silesia. Warehouses are maintained in many of the principal commercial centres throughout the world. They are also reported to hold a controlling interest in the "Drawa" fabrika za meble at Maribor in Yugoslavia.

The output of the Thonet-Mundus Company amounts to between 10,000 and 20,000 chairs a day. The largest proportion would be comprised of chairs with wicker seats, but chairs with ply-wood seats are also manufactured on a large scale. Well over 90 per cent of the production is exported to all parts of the world.

The largest bent-wood furniture factory in Czechoslovakia is one belonging to the Thonet-Mundus Company at Korycany, in Moravia, with a capacity of 5,000 chairs a day.

Other companies producing bent-wood furniture in Czechoslovakia are the Ungvarska tovarna na nabytek at Uzhorod, in Sub-Carpathian Russia, with a capacity of 1,000 chairs a day; D. G. Fischel a synove, Prague, with a factory at Niemes, in Bohemia, producing up to 1,000 chairs a day, chiefly of the better class chairs with ply-wood seats; Dielna na naradie Tatry Banky at Turciansky sv. Martin, in Slovakia, with a capacity of 500 chairs a day; L. A. Bernkopf at Frenstat, in Moravia, with a capacity for producing 300 good quality chairs a day; M. Schwarz at Oberleutensdorf, in Northern Bohemia, who manufactures exclusively for the domestic market and has a capacity of 300 chairs a day; "Fagus" company at Prelouc, in Bohemia, with a capacity of 100 chairs a day, whose entire output is exported to the United States; and Johann Brief of Uhersky Brod, in Moravia, who manufactures up to 100 chairs a day chiefly for domestic consumption.

In addition to the above-mentioned factories in Czechoslovakia, there is the bent-wood furniture factory of Herschkowitz at Sighetul Marmatrei, in Roumania, across the border from Czechoslovakia, which has a capacity of 600 units a day and specializes in chairs with rounded supports required for the Near Eastern markets. There is also the Wojciechovsky factory in Poland, which has a capacity of 1,000 chairs a day. These and the factory above referred to in Yugoslavia, together with another factory in Poland and one in Hungary, comprise practically all the bent-wood furniture factories in Central Europe.

Beech is the only wood suitable for the manufacture of bent-wood furniture. This explains the reason for the industry having been developed in Czechoslovakia. The republic has extensive forests of beech trees. Approximately 2,982,203 acres, or 30.16 per cent of the forested area of Czechoslovakia, is comprised of deciduous trees and of these beech trees predominate. The beech forests are chiefly found in the eastern part of the republic along the lower slopes and foothills of the Carpathian mountains, particularly in the mountainous districts dividing the provinces of Moravia and Slovakia.

The process of manufacture of bent-wood furniture precludes the use of any other kind of wood than beech. The wooden frames are first put into compartments, about forty frames at a time, and are steamed for from eight to ten minutes. The steam is then turned off and the frames are taken out and bent over cast-iron moulds and clamped down. Sometimes as many as twenty frames for the ordinary sort of chairs are secured on one mould. They are then taken to a drying chamber heated to the right temperature and left for twenty-four hours.

The steaming of the frames brings out the colour inherent in beech wood, so that after the drying process the frames are sorted into dark and light. The latter are used for the light varnished chairs which bring a higher price, but at most only 20 per cent of the frames can be used for light chairs and usually the percentage is much less. The manufacturers therefore usually require customers to purchase a certain proportion of dark chairs with every lot of light chairs.

A process is now being investigated for the steaming and bending of birch wood, and if this is successful the colour difficulty would be avoided. It would probably give an impetus to the development of the industry in Finland and other countries with cheap birch and no doubt would also be of benefit to Canada. The process is still in the experimental stage and depends upon ascertaining the proper pressure of steam to render birch pliable for bending.

The wicker seats for bent-wood chairs are made by hand in the Czechoslovak factories, for which purpose cheap female peasant labour is available. Many of the factories purchase ply-wood seats from separate ply-wood manufacturers. A machine has recently been introduced for punching the holes in ply-wood seats at one blow, the seats being secured between steel frames. Hitherto the practice has been to punch these holes one row at a time.

It is reported that the bent-wood furniture factories in Czechoslovakia enjoyed a very good trade last year, but that present prospects are more uncertain. In general the manufacturers have succeeded in recapturing a large share of the trade which was interrupted by the war.

PRESENT TRADE CONDITIONS

The above review of the most important manufacturing industries of Czechoslovakia will indicate the extent to which these industries are dependent upon export trade. Before they were supplying a home market with a total population of fifty million people. Czechoslovakia has embraced three-fourths of the manufacturing industries of the former Austro-Hungarian Empire, but these industries are now protected only in a home market of less than fourteen million people. In the other succession states they not only have to compete with other foreign countries, but in many cases these states have adopted the policy of fostering local industries behind the shelter of high tariff walls.

This situation has greatly affected the prosperity of the Czechoslovak industries. In the last three or four years the position has become aggravated by the policy of currency deflation followed by the Czechoslovak Government and the competition of other countries with depreciated exchanges. This latter factor has been the chief cause for the depression in the glass industry, which has particularly experienced increased Belgian competition in foreign markets. The textile industries, on the other hand, have chiefly suffered through adverse tariffs in the other Danubian countries.

This spring the industries of Czechoslovakia were stated to be operating at 80 per cent of capacity. The unemployment figures for February, 1927, gave the number of unemployed persons, who unsuccessfully applied to the Labour Exchanges for work, at 83,205 and the number of persons in receipt of unemployment pay through the trade unions at 31,431. In the summer of 1926 the number of unemployed ranged between 60,000 and 70,000. In general, the industries are now reported to be better employed than last summer, which is considered to have been the worst period of the trade depression. The increase in unemployment during the winter can be attributed to seasonal causes. The textile industries are now more active. The increase in building resulting from the state guarantee of 120 million crowns is having a favourable effect on the domestic demand for iron and steel, cement and lumber. On the other hand, those industries working mostly for export, such as the glassware and porcelain industries, are still depressed, although they are beginning to benefit from the stabilization of the currencies of Western European countries. In general, there has been an improved tone in Czechoslovak business during recent months arising from increased industrial activity.

CHAPTER IV

Currency; Finance; Foreign Trade

The currency unit in Czechoslovakia is the koruna or Czechoslovak crown. When the republic was formed in 1918 the notes of the Austro-Hungarian Bank were in circulation. The new Czechoslovak Government made arrangements in March, 1919, for stamping these notes, and in order to reduce the total amount in circulation part of the notes submitted for stamping were retained in exchange for treasury certificates as a compulsory loan. A few months later the stamped notes commenced to be replaced by newly printed Czechoslovak notes. A law was also passed prohibiting the issue of any new uncovered notes, so that the Government early took steps to counteract currency inflation.

Further steps to place the currency upon a stable basis were taken in a law, passed on April 14, 1920, providing for the foundation of a national bank of issue. Owing to disturbed conditions advantage could not be taken of this law until 1926. In the meantime the Banking Office of the Ministry of Finance continued to exercise the functions of a bank of issue. Under its administration the exchange value of the Czechoslovak crown, after declining slowly until the end of 1921, commenced to appreciate. In 1922 the exchange rate was stabilized at around \$0.0297, at which figure it has remained ever since.

The law of April 14, 1920, was amended on April 23, 1925, and the National Bank of Czechoslovakia was constituted to take over the functions of the Banking Office, which it did on April 1, 1926. The National Bank has the sole right of note issue. The metal reserve for the note circulation must be at least 20 per cent of the amount of notes issued. This minimum metal cover will increase by 1 per cent each year until the ratio of 35 per cent has been reached.

The National Bank is not under obligation to exchange notes for specie until a special enactment is passed for this purpose. There is accordingly no provision yet made for a standard value in specie of the Czechoslovak crown, but Article III of the law constituting the National Bank provides that the bank shall maintain the relation of the Czechoslovak crown to the undepreciated foreign gold currencies at the level of the last two years. This has been interpreted as an obligation of the bank to maintain the exchange value of the Czechoslovak crown within the limits of \$0.029 and \$0.0303. The value of the crown is therefore around three cents.

The normal amount of notes in circulation last year was around 7,000 million crowns. This represents a considerable decrease since January, 1922, when 11,230 million crowns were in circulation. Since that date the deflatory policy of the Government has been reflected in a steady decrease in the note circulation.

On May 23, 1927, the note circulation reached the minimum recorded of 6,145 million crowns and the metallic cover amounted to 2,700 million crowns, of which 1,055 million crowns were gold and silver. The following is a statement of the assets and liabilities of the National Bank of Czechoslovakia on that date:—

<i>Assets</i>	Thousands of Czechoslovak Crowns
Gold and silver	1,051,682
Balance abroad and foreign currencies	1,802,619
Other cash	24,984
Bills discounted	39,455
Advances on collaterals	33,966
State notes debt balance	4,712,142
Assets of banking office in liquidation	556,251
Other assets	469,802
Total	8,690,901

Liabilities

Capital fully paid up (\$12,000,000)	406,800
Reserve funds	6,282
Bank notes in circulation	6,145,085
Check balances and other sums due	1,889,705
Other maturities	1,243
Other liabilities	241,786

8,690,901

PUBLIC FINANCES

The budget estimates for the last two years have shown a small surplus. For the current year the estimates are as follows: revenues, 9,724 million crowns; expenditures, 9,704 million crowns. On the revenue side customs duties are estimated to yield (in million crowns) 1,050; income tax, 1,130; turnover tax, 2,187; consumption taxes, 1,735; and profit tax, 846. The State undertakings are estimated to yield a net surplus of 1,151 million crowns, the greater part of which will be derived from the tobacco monopoly. The surplus from the State railways estimated at 135,388,000 crowns will be invested in capital expenditure in addition to a Treasury grant of 136 million crowns.

Of the estimated expenditures for the current year 19.68 per cent is for foreign affairs and the army.

The national debt of Czechoslovakia on January 1, 1927, is given in the Budget Law as follows (in million crowns): internal, 24,049; external, 6,496; accruing from Peace Treaties, 4,400—a total of 34,945. To this must be added the State notes debt of 4,809 million crowns. Of the internal debt all except 4,611 million crowns has been funded and the Government since 1925 has been converting the outstanding Treasury Bills into long-term loans. The service of the debt is estimated to require 2,573 million crowns in 1927.

COMMERCIAL BANKING

The commercial banks of Czechoslovakia are adequate for the requirements of the country. The majority of the joint-stock banks are controlled by Czechoslovak capital, although some of the leading banks have been organized by taking over the branches of Austrian institutions on Czechoslovak territory. The banking system is similar to that of Germany, and the banks take an active part in the financing of industrial enterprises. A large share of the assets of the banks therefore is comprised of investments in industrial concerns.

The following is a list of the principal commercial banks in Czechoslovakia, together with the amount of their paid-up capital and reserves in 1922:—

Name of Bank	Paid-up Capital and Reserves in 1922 In Million C.S. Crowns
Zivnostenska Banka	349
Bohemian Discount Bank	279
Bohemian Industrial and Agricultural Bank	270
Bohemian Union Bank	248
Moravian Agrarian and Industrial Bank	198
Anglo-Czechoslovak Bank	167
Prague Credit Bank	137
Bank for Commerce and Industry	120
Bohemian Commercial Bank	101

The above banks have branches throughout the country. The Moravian Agrarian and Industrial Bank has its headquarters at Brno (Brünn); the others at Prague. The Anglo-Czechoslovak Bank has been founded by British capital and is associated with the Anglo-International Bank, which has reorganized the business of the former Anglo-Austrian Bank.

MONEY MARKET AND PRICES

Chiefly as a consequence of the depression in trade and industry the Czechoslovak money market has been very liquid during the past year and a half.

The discount rate of the National Bank, which remained at 6 per cent during the first nine months of 1926, was reduced to 5½ per cent in October and again to 5 per cent in March, 1927.

The trend of prices in Czechoslovakia during the past year has been slightly upward. The wholesale index figure declined from 1,045 in January, 1925, to 923 in April, 1926. There has since been a steady rise and in April, 1927, the index number was 979. The cost of living index for a worker's family amounted to 744 in March, 1927, which is higher than at any time during the past two years. A year previously the index number was 685.

FOREIGN TRADE

Czechoslovakia has a favourable balance of trade, as the following figures of the foreign trade of the republic for the last three years will indicate:—

Year	Imports	Exports	Excess of Exports
	In Million C.S. Crowns		
1924..	15,854	17,035	1,181
1925..	17,618	18,821	1,203
1926..	15,262	17,848	2,586

The increased balance of trade last year has been chiefly due to the decreased imports of raw materials consequent upon the depression in certain trades. There was thus a considerable falling off in importations of raw cotton and cotton yarns. Increased exports of coal as a result of the British strike also helped to enlarge the trade balance. The decrease in the total value of exports may be accounted for chiefly by the decline in exports of textiles, since the exports of other merchandise were fairly well maintained.

The principal exports from Czechoslovakia last year are indicated in the following table giving the total value of main groups:—

Exports from Czechoslovakia, 1926

	In Million C.S. Crowns
Cotton yarns and goods..	2,284
Sugar..	2,247
Coal and wood..	1,752
Woollen yarns and goods..	1,611
Iron and iron products..	1,253
Glass and glassware..	1,169
Grain, malt and flour..	781
Fruits and vegetables..	730
Leather and leather goods..	699
Flax, hemp and jute goods..	574
Silk and silk goods..	419

Germany is the most important purchaser of Czechoslovak products, the value of the exports to that country last year being 3,552 million crowns. Austria followed, taking 2,902 million crowns, and Great Britain was third with 1,540 million crowns. Exports to the United States in 1926 were valued at 845 million crowns.

With regard to import trade, the total value of the main groups of imports in 1926 were as follows:—

Imports into Czechoslovakia, 1926

In Million C.S. Crowns	In Million C.S. Crowns
Raw cotton and cotton goods .. 2,123	Common metals and products thereof. 530
Grain, flour and rice 1,871	Machinery 461
Raw wool and woollen goods . . 1,573	Flax, hemp and jute.. . . . 427
Fats 628	Iron and iron products 422
Live stock 602	Animal products 416
Fruits and vegetables. 585	
Silk and silk goods 552	

Germany is the chief source of supply for the goods imported into Czechoslovakia, followed by Austria, Poland, Hungary, and the United States. The figures of imports from Germany are considerably greater than the actual purchases of German goods, due to the considerable proportion of overseas products imported through Germany. The following table shows the chief sources of supply for the goods imported into Czechoslovakia in 1926:—

Total Imports from	In Million C.S. Crowns	Total Imports from	In Million C.S. Crowns
Germany	3,238	Jugoslavia	584
Austria	1,125	Holland	504
Poland	1,096	Roumania	482
Hungary	1,028	Italy	337
United States	760	Switzerland	327
France	677	Belgium	193
Great Britain	602		

Among the principal importations from the United States last year were raw cotton, edible fats, automobiles, copper, mineral oils, typewriters and calculating machines, grain and flour, machinery and apparatus, rubber tires, leather and leather goods, and minerals.

CHAPTER V

The Market in General Terms

It is impossible to give any reliable figures of the importations into Czechoslovakia from Canada. The reason is that Canadian goods are imported into the republic chiefly through the free port of Hamburg. In the Canadian trade returns these shipments are entered among the exports to Germany and in the Czechoslovak statistics they are included among the imports from Hamburg or Germany.

The Czechoslovak trade statistics for the year 1925 showed a total import of Canadian products valued at 67,942,834 crowns (\$2,038,285), but the shipments of Canadian flour to Czechoslovakia in that year alone must have been worth double this amount. The German trade returns are still more misleading, as for the fiscal year ending March, 1926, the exports to Czechoslovakia are given at a total value of only \$132,114, and those last year at \$476,632.

The exportation of Czechoslovak goods to Canada is steadily increasing. The Canadian trade returns give the total value of the imports from Czechoslovakia in the fiscal year ending March, 1926, at \$1,272,045, while last year the figure had increased to \$1,726,922. The principal Czechoslovak products shipped to Canada are Gablonz glassware and imitation jewellery, tableware of glass, window glass, glass lamp chimneys, tableware of china, woollen worsteds, serges and coatings, cotton goods, pressed felt, felt hats, silk goods, bentwood furniture, buttons, musical instruments, artificial feathers, lead pencils, and toys.

Flour is the product which comprises the great bulk of present Canadian exports to Czechoslovakia. There is also an increasing quantity of Canadian wheat and rye being shipped to that market.

Apart from these two commodities, Czechoslovakia does not at present purchase any great quantity of Canadian goods. There is a regular but limited import of Canadian agricultural machinery. Rubber vehicle tires are being shipped to Czechoslovakia from Canadian factories, while small quantities of canvas shoes with rubber soles and rubber footwear made in Canada have been sold to customers in Czechoslovakia through agents established in Germany or Italy. The republic offers a market for Canadian motor vehicles, but only a

few motor cars from Canada have been so far imported. Adding machines and safety razors are other Canadian-manufactured products which have been sold to Czechoslovakia.

Canadian asbestos is regularly purchased by Czechoslovak manufacturers from stocks consigned to the free port of Hamburg. The same applies to Canadian nickel and cobalt, which is sold to Czechoslovakia principally through German intermediaries.

Among food products, other than flour and grain, Czechoslovakia does not offer a wide market. There is a small trade done in Canadian canned lobsters and canned salmon and a still more restricted business in canned fruits from Canada. The trade in canned milk with this market is now negligible. Compressed cheese of Canadian origin is being sold in Czechoslovakia, but the demand is very limited. Canadian lard, hogs' livers, and other packing-house products have been imported through Hamburg. The same applies to dried apple rings, while there is an opening for Canadian fresh apples in boxes. Very little if any Canadian butter has been imported into Czechoslovakia, since the possibilities for business in this line are very small. There may be later an opening for the sale of Canadian honey to this market.

Among the miscellaneous Canadian products exported to Czechoslovakia there may be mentioned a few live silver black foxes for breeding purposes.

The following table gives the total quantity and value of the imports into Czechoslovakia in 1926 of those products in which Canada has done or might do business with this market:—

Total Imports into Czechoslovakia, 1926

	Quantity Metric Tons (2,204 Lbs.)	Value Thousand C.S. Crowns
Flour of wheat	219,044	697,046
Wheat	212,851	413,437
Rye	91,682	127,580
Agricultural machines—		
Harvesting machines	247	1,932
Motor ploughs (without motors)	290	3,802
Pneumatic tires, other than bicycle tires	1,000	53,545
Solid rubber tires	654	16,596
Rubber footwear	255	18,017
Passenger automobiles	2,679	103,152
Freight automobiles and tractors	2,113	37,332
Asbestos, raw	9,403	31,717
Nickel	322	8,539
Cobalt salts	13	191
Canned fish in oil	1,671	22,913
Other canned fish	102	1,671
Canned fruits	234	1,831
Canned milk	191	1,392
Fine table cheese	410	9,425
Other cheese	482	10,132
Butter	526	13,211
Lard and other hog's fat	31,514	365,955
Fresh apples and pears, packed	483	3,130
Dried fruits other than plums	352	4,785
Honey	293	2,653

OPENINGS FOR CANADIAN GOODS

Flour.—The Czechoslovak market for Canadian flour is fully reviewed in Chapter VI (page 24).

Grain.—The imposition on July 14, 1926, of a lower relative duty on wheat than on flour has provided an impetus to the importation of Canadian wheat into Czechoslovakia. The duties are 30 crowns (90 cents) per 100 kg. on wheat as against 70 crowns (\$2.10) on flour. There are stated to be some twenty

flour mills in the republic which use Canadian flour. Most of these are located on the Elbe system of waterways, and this enables them to transport Canadian wheat from the port of Hamburg by barge.

The imports of wheat into Czechoslovakia amounted in 1926 to 212,851 metric tons and in 1925 to 167,069 tons. Of the latter quantity, Hungary supplied 68,271 tons; Germany, 21,308 tons; Jugoslavia, 18,081 tons; and Poland, 14,101 tons; while 11,481 tons were given as coming from Hamburg, 5,334 tons from the United States, and only 111 tons from Canada, but probably a large proportion of the importation from Hamburg consisted of Canadian wheat.

The importation of rye into Czechoslovakia is normally less than that of wheat. In 1926 a total of 91,682 metric tons of rye were imported, but in 1925 the quantity was 170,153 tons. Poland, Hungary, and Germany were the chief sources of supply in the latter year, but 10,684 metric tons were given as being imported from Hamburg, 9,091 tons from the United States, and 641 tons from Canada. The Czechoslovak duty on rye is 38 crowns (\$1.14) per 100 kg.

Czechoslovakia normally produces more than sufficient barley and oats for domestic requirements, but occasionally there is an importation of these grains from overseas countries.

Canadian wheat and rye are usually sold to Czechoslovak buyers through Hamburg and Dutch grain importers, who are represented by agents in Prague. Payment is made against documents in Hamburg. The question of direct business was discussed, and it was pointed out that this could be done if Canadian grain exporters would sell to Czechoslovak buyers on terms of payment against documents in Prague instead of through a Hamburg bank. There would appear, however, to be little advantage in departing from the customary channels of the trade.

Agricultural Machines.—All kinds of agricultural machines and implements are manufactured in Czechoslovakia and there is a considerable export trade in these products. At the same time there is an opening for the sale to Czechoslovakia from Canada each year of a limited number of motor ploughs, binders, and disc harrows, as well as a few mowers and straw cutters.

The breaking up of the large estates has removed the best customers in this territory of Canadian agricultural machinery, but there are still a sufficient number of progressive farmers to purchase the best type of agricultural machines, which Canada can so well supply. It is probable that this season around 100 motor ploughs, 30 to 40 binders, and 60 to 70 disc harrows of Canadian manufacture have been sold in Czechoslovakia. Credit terms of six months to a year rule in this business and distribution is best effected through a firm of agents in Prague.

The general duty on harvesting machines and other agricultural machinery of iron imported into Czechoslovakia is 432 crowns (\$12.96) per 100 kg., the former conventional rate of 192 crowns (\$5.76) ceasing to apply on April 20 last to all machines except crushers with metallic plates and bruising mills with metallic plates for agricultural purposes. The duties on tractors are 540 crowns (\$16.20) per 100 kg. for those weighing up to 1,500 kg., 680 crowns (\$20.40) for those weighing from 1,500 to 3,000 kg., and 520 crowns (\$15.60) for tractors weighing over 3,000 kg.

Imports of harvesting machines into Czechoslovakia in 1926 amounted to 247 metric tons valued at 1,932,000 crowns, and in 1925 to 89 tons valued at 594,181 crowns, of which Germany supplied 60 tons; Austria, 23 tons; and the United States, 3½ tons. In 1925 there were also imported 105 tons of motor ploughs without motors valued at 1,232,211 crowns, and of these 29 tons were supplied by the United States.

Rubber Goods.—The trade in rubber vehicle tires in Czechoslovakia is very competitive, and the leading French, Italian, United States, British, and

German tire companies do the bulk of the business. The imports of pneumatic tires, tubes and casings, other than bicycle tires, amounted in 1926 to 1,000 metric tons valued at 53,545,000 crowns, and in 1925 to 789 tons of a total value of 36,549,298 crowns. Of the latter import, France supplied over half, or 416 tons; Italy, 156 tons; the United States, 76 tons; Great Britain, 63 tons; and Germany, 40 tons. The conventional duty on vehicle tires imported into Czechoslovakia is 1,000 crowns (\$30) per 100 kg. Tires manufactured in Canadian factories have been imported into the republic. The tire business is chiefly transacted through sub-agents of the Continental distributors of the tire companies. These sub-agents are mostly located in Prague.

German, Italian, and other firms occasionally distribute in Czechoslovakia small lots of Canadian canvas shoes with rubber soles, and in other rubber footwear lines the Continental competition is very keen. The importation of rubber footwear, except heels, amounted in 1926 to 255 metric tons valued at 18,017,000 crowns, while in 1925 there were 147 tons imported of a value of 12,786,322 crowns, of which Austria supplied 70 tons; France, 21 tons; Germany, 16 tons; Great Britain, 13 tons; and Sweden and the United States, 10 tons each. From Canada an importation of 30 pounds of rubber footwear was shown in the trade statistics of 1925. The Czechoslovak duty on rubber footwear other than heels is 600 crowns (\$18) per 100 kg. The distribution of Canadian rubber footwear in Czechoslovakia can be effectively left to Continental firms canvassing this market through travellers or sub-agents.

Canoes.—There will be an opening for the sale of Canadian canoes to Czechoslovakia when the existing 12 per cent luxury tax no longer applies to these products. This tax added to the duty makes the price of imported canoes prohibitive. There are two small factories in the republic, each of which turns out about fifteen Canadian-type canoes a year. There are altogether nearly 2,000 of these craft at present in Czechoslovakia, and the sport is popular in those centres situated on rivers, such as Prague, Aussig, Tetschen, and Bratislava.

Motor Vehicles.—The trade with Czechoslovakia in motor vehicles is reviewed in Chapter VIII (page 38).

Other Manufactured Goods.—There is not much opportunity for the sale of other Canadian manufactured products to Czechoslovakia. Obviously Canadian manufacturers are at a disadvantage in attempting to do business with an inland European country which has highly developed manufacturing industries of its own. Those lines therefore at present being shipped to this market are specialities, in which the Canadian industry can compete all over the world. Besides the products mentioned, hockey skates of Canadian manufacture have been introduced, while occasional shipments of adding machines and safety razors have been made to Czechoslovakia from Canadian factories. A possible opening for Canada might exist in the sale of carborundum wheels for the use of the glass-cutting industry of northern Bohemia.

Minerals.—The principal Canadian minerals imported into Czechoslovakia are asbestos, cobalt compounds, and nickel. These are chiefly distributed by German intermediaries. In the case of asbestos, the Czechoslovak manufacturers purchase from stocks consigned to Hamburg. The asbestos sheet industry requires large quantities of short-fibre asbestos, while some long-fibre stock is also required for spinning purposes. The imports of raw asbestos into Czechoslovakia amounted in 1926 to 9,403 metric tons valued at 31,717,000 crowns. In 1925 there was an import of 7,433 tons, of which 2,757 tons were shown as having been imported from Germany, 2,377 tons from Hamburg, 910 tons from Canada, 832 tons from Russia, and 432 tons from South Africa.

Imports of nickel amounted to 322 tons in 1926 and to 450 tons in 1925, Germany, Belgium, Great Britain, and Hamburg being designated as the principal sources of supply in the latter year. A total of 13 tons of cobalt compounds was imported into Czechoslovakia in 1926 and of 24 tons in 1925, nearly all of which were given as being imported from Germany. Of other minerals there would be an opening in Czechoslovakia for crucible graphite from Canada.

Provisions.—The possibilities for trade with Czechoslovakia in various food products, apart from grain and flour, are fully reviewed in Chapter VII (page 31).

Miscellaneous Goods.—The only line under this heading deserving of mention is the trade in silver black foxes. The mountainous districts along the German border in northern and western Bohemia are very suitable for the breeding of silver foxes and some ranches have been started with foundation stock purchased in Canada. The sale of any great number of breeding foxes to Czechoslovakia is out of the question for the present, however, as the development of this industry is hampered by the lack of capital available for investment in fox ranching.

QUOTATIONS, TERMS, AND PACKING

Canadian exporters should always quote c.i.f. Hamburg when corresponding with firms in Czechoslovakia, since Hamburg is the port through which the bulk of Canadian goods imported into the republic are shipped. The metric system of weights and measures should also always be used in quotations to Czechoslovak customers.

The terms of payment vary in accordance with the nature of the goods. For the bulk of the Canadian products shipped to Czechoslovakia the usual terms are cash against documents Hamburg, payment being effected through a Hamburg bank. There are practically no firms in Czechoslovakia who would be prepared to open credits in Canada for goods to be purchased in the Dominion. In the case of manufactured goods credit terms are frequently required. These vary from thirty days in the case of rubber goods and other lines to six months and longer in the case of agricultural machinery.

No special requirements need be observed in connection with packing goods for shipment to Czechoslovakia. Package or case goods are transported from Hamburg speedily and efficiently by rail, while grain, flour, asbestos, and other bulk cargoes are mostly transported by river barge. In neither case would there be any very rough handling before the goods reach customer's warehouse.

REPRESENTATION

The question of the proper form of representation for the sale of Canadian goods to Czechoslovakia is a very important one, but is subject to a number of different considerations. One of the principal factors bearing on this question is the important part which Hamburg firms take in the distribution of goods to Czechoslovakia. This arises from the geographical position of Hamburg as the chief port of arrival for overseas products consumed in Czechoslovakia.

A large part of the Canadian products at present exported to Czechoslovakia are sold through the medium of German firms. Thus Canadian flour is chiefly distributed through the agents of the Canadian milling companies located in Hamburg or Holland. The same applies to grain. Canadian packing-house products, dried apples, and cheese are also purchased by the dealers in Czechoslovakia from importing firms in Hamburg. Fresh apples from North America are sold on the Hamburg fruit auctions to Czechoslovak dealers. Canadian

asbestos and other minerals are also distributed in Czechoslovakia through German intermediaries. Rubber goods and other manufactured lines are often sold in Czechoslovakia through German or other firms having the sole distribution for most of Central and Eastern Europe.

On the other hand, there is a tendency in Czechoslovakia to promote direct commercial relations with foreign countries and this tendency is being fostered by the Government. Every effort is being made to eliminate, where possible, the intermediary of a third country. These endeavours have been only partially successful, but they should lead to further results as the Czechoslovak market increases in importance.

At present practically the only Canadian products being sold in Czechoslovakia through direct agents established in the republic are canned fish and agricultural machinery. It is difficult to state how far this practice should be extended to other commodities. In general it would appear to be a good rule governing representation for Czechoslovakia that in the case of bulk commodities the market can be covered very well by representation in Hamburg, but that in the case of articles sold under a brand or trade mark better results can often be achieved by having direct agents in Prague for the whole of Czechoslovakia. These agents would usually devote more attention and energy to promoting the sale in Czechoslovakia of the particular brand or trade mark than could possibly be given by a Hamburg firm working the market through sub-agents or travellers.

CHARACTER OF THE MARKET

Western European standards prevail throughout a large part of Czechoslovakia, which means that both quality and price influence the sale of goods in this market. Quality because the people have been educated to appreciate the advantages of purchasing superior articles which are a better value than cheaper goods. Price is an important factor because the average income is relatively low. The Czechoslovak Minister of Finance has estimated the national income at 60,000,000,000 crowns, which represents around \$130 per capita. Although this is fairly high as judged by Central European standards, it is very low in comparison with the Canadian standard of living.

The chief consumers in Czechoslovakia of Canadian products are the inhabitants of the industrial centres of Bohemia, Moravia, and Silesia. It is for the requirements of these centres that Canadian food products are imported. The wages and salaries of industrial employees are very much lower than in Canada. It is estimated that 37.2 per cent of the population of Czechoslovakia derive their living from agriculture and forestry. Apart from agricultural machines, no Canadian goods would be purchased by the agricultural population, most of whom are peasants with small holdings. Moreover, in the eastern part of the republic the standard both of agriculture and living is more akin to that of Eastern Europe. These considerations require to be borne in mind when estimating the possibilities for trade with Czechoslovakia. The republic affords good openings for the sale of certain Canadian products, but the extent of the market is limited by the factors outlined above.

CHAPTER VI

Flour

Last year more Canadian flour was sold in Czechoslovakia than in any other country except the United Kingdom. This market is therefore of great importance to the Canadian flour milling industry.

TRADE STATISTICS

Unfortunately no exact figures are available to indicate the volume of Canadian flour exports to Czechoslovakia. The flour in the first instance is consigned to the Free Port of Hamburg and hence is credited in the Canadian trade returns among the exports to Germany. The Czechoslovakia statistics also do not furnish any reliable guide to the quantities of Canadian flour imported into the Republic. Since April 23, 1926, certificates of origin have been required for flour imported into Czechoslovakia, but the trade statistics of that country continue to give Hamburg as the chief source of supply. This flour imported from Hamburg would be almost entirely comprised of flour from Canada and the United States, although possibly small quantities of Argentine and other flours might be included in the total.

The chief competition of Canadian and United States flour in the Czechoslovak market is from the mills in Hungary and the Banat, territory formerly Hungarian but now comprising parts of Roumania and Yugoslavia.

The following table gives the figures of imports of wheat flour into Czechoslovakia from different sources during the calendar year 1926, as shown in the Czechoslovak trade returns:—

Czechoslovak Imports of Wheat Flour, 1926

Source of Supply	Metric Tons (2,204 lbs.)
Hamburg	68,122
Hungary	50,690
Roumania	34,271
Germany	17,184
Yugoslavia	10,445
United States	8,544
Canada	8,311
France	5,784
Italy	2,431
Poland	1,636
Austria	1,561
Trieste	1,401
Great Britain	987
Holland	638
Total	219,044

The quantities given above as having been imported from Hamburg and Trieste probably consisted almost entirely of flour from Canada and the United States. It is possible also that part of the imports credited to Germany was comprised of North American flour. The total imports of flour from North America last year therefore must have ranged between 80,000 and 100,000 metric tons or between 900,000 to 1,125,000 barrels out of a total import of 219,044 metric tons or 2,463,130 barrels.

On the other hand, the total import of wheat flour last year from Hungary, Roumania and Yugoslavia was 95,000 metric tons or 1,068,000 barrels.

With regard to the proportion of the total import from North America which consisted of Canadian flour, evidence based on certificates of origin issued appears to indicate that during the period of active trade from April 23 to July 15, 1926, prior to the imposition of the increased duties, over 200,000 barrels of Canadian flour were shipped to Czechoslovakia, while in the last three

months of the year a further 200,000 barrels were exported to that market. Allowing for quantities imported during the remaining months of the year, the total import of Canadian flour into Czechoslovakia last year must have been between 700,000 and 800,000 barrels. This confirms the opinion of importers that between 60 and 70 per cent of the North American flour sold on the Czechoslovak market in 1926 originated in Canada. With the exception of the United Kingdom, no other country imported such a large quantity of Canadian flour last year.

TRADE DURING PAST YEAR

The trend of the Czechoslovak import trade in recent months is indicated by the following table of the total quantities of wheat flour imported into the Republic each month from January, 1926, to March, 1927:—

Month 1926	Total Quantity Imported Metric Tons
January	3,574
February	18,328
March	16,885
April	7,635
May	27,459
June	40,272
July	34,927
August	6,355
September	9,325
October	13,383
November	17,258
December	23,644
1927	
January	9,094
February	10,825
March	12,984

It will be noted that during the first four months of 1926 the import trade in flour was relatively quiet, an average of only 11,600 tons a month being imported. In May the proposals for fixed duties on grain and flour on an increased scale were announced. This led to a very active trade in flour in order to import supplies before the increased duties could be imposed. These duties finally went into effect on July 14, but in the three months May, June, and July a total of 102,658 tons of flour were imported or an average of 34,200 tons a month.

With such a large importation prior to the imposition of the increased duties, the trade during the remainder of the summer naturally was very restricted, but in October the demand for imported flour commenced to revive. In the last three months of the year 54,285 tons were imported or an average of 18,090 tons a month.

During the first four months of this year the trade in imported flour was very quiet. The bakers were largely stocked with flour, while the shortage of local rye led the domestic milling industry to concentrate more on the milling of wheat flour from Canadian and Argentine wheat. The difference in price between Canadian and Kansas flours also restricted the sale of the Canadian product. Importers anticipate an improved demand for foreign flour towards the end of May when the bakers should be compelled to buy again on a larger scale.

THE DUTY FACTOR

In the summer of 1925 the Czechoslovak Government partly met the wishes of the agrarian interests by introducing a sliding scale of duties on grain and milled products based on the current market price of grain. The duties were fixed from month to month and so long as the price of wheat c.i.f. Tetschen

exceeded 180 Czechoslovak crowns* per 100 kg.* no duties were imposed on wheat or wheat flour. When the price of wheat ranged between 160 and 180 crowns duties of 12.60 crowns on wheat and 22 crowns on wheat flour were imposed and so on. This sliding scale of duties did not satisfy the agrarian interests and owing to the uncertainty as to the duties was very unsatisfactory to the trade.

Accordingly in May, 1926, proposals were introduced into the Czechoslovak legislature for fixed minimum duties on grain and milled products. The minimum rates of duty proposed included that of 30 crowns (\$0.90) per 100 kg. (220 lbs.) on wheat and that of 70 crowns (\$2.10) per 100 kg. (220 lbs.) on flour. These proposals were finally passed on June 22, and came into effect on July 14, 1926.

In addition to the customs duties, grain and flour are subject on importation to turnover tax at a fixed rate, which amounts to 2.50 crowns per 100 kg. in the case of wheat and 11 crowns per 100 kgg. in the case of milled products.

The law providing for the increased duties also introduced the system of duty-free licenses for grain as a bounty on the export of grain and flour. An exporter of flour therefore receives a license covering the duty-free import of a quantity of grain equivalent to the amount of flour exported.

It will be seen that the Tariff Law of June 22, 1926, contained a number of provisions discriminating against imported flour as compared with imported grain. The law accordingly extended considerable protection to the Czechoslovak milling industry.

Under the Canadian Czechoslovak Trade Agreement of December 20, 1926, Canada is guaranteed most-favoured nation treatment for flour, so that Canadian flour cannot be subject to higher duties than those granted to any other foreign country.

Negotiations have been in progress for several months with a view to the conclusion of a trade treaty between Hungary and Czechoslovakia. It has been reported that these negotiations have been completed and that the resulting trade treaty will involve certain concessions to the importation of foreign flour into Czechoslovakia, such as a more equitable distribution of the turnover tax between foreign and domestic flours. Any concessions which may be granted to Hungary will be automatically extended to Canadian flour under the most-favoured-nation agreement.

EFFECT OF INCREASED DUTIES

In spite of the very considerable degree of protection afforded to the Czechoslovak milling industry by the new duties, the importation of foreign flour into the Republic has not been curtailed to any great extent. This may be seen from the following table of the average monthly importation of wheat flour into Czechoslovakia during recent periods:—

Period	Total Imports	Monthly Average	Duty Position
	Metric Tons	Metric Tons	
1923	235,278	19,000	Free
1924	360,351	30,000	Free
1925	241,422	20,000	Free and sliding scale
Jan. to July, 1926	149,079	21,000	Sliding scale
Aug., 1926, to March, 1927	102,987	13,000	New duties

The average monthly imports since the fixed duties were imposed have been about 35 per cent less than during the previous year and a half, but so many factors need to be taken into consideration that it is still too early to estimate the effect of the new duties on the import of flour into Czechoslovakia.

*1 Czechoslovak crown—\$0.0296; 100 kg.—220 lbs.

CZECHOSLOVAK MILLING INDUSTRY

One of the objects of the duties has been the promotion of large commercial flour mills in the Republic. Although the capacity of the Czechoslovak milling industry is equal to the flour requirements, there are only a few large commercial mills in a position to produce wheat flour to compete with the imported product. Before the war this territory was largely supplied with wheat flour from the mills of Budapest.

According to statistics compiled in 1923, there are 10,713 flour mills in Czechoslovakia, distributed geographically as follows: Bohemia, 5,276; Moravia, 2,100; Slovakia, 2,500; Subcarpathian Ruthenia, 500; Silesia, 337.

Of the above mills, 606 are commercial mills and the remainder are country mills. The total milling capacity of the commercial mills is given at 7,100 metric tons a day and that of the country mills is approximately the same, so that the Czechoslovakian milling industry has a milling capacity of 5,187,000 metric tons annually. This is equivalent to one kilogram daily per head of population.

The large commercial mills in Czechoslovakia are equipped to mill both wheat and rye, but there are no large mills grinding wheat exclusively. The largest mill in the Republic produces flour milled from 75 per cent of rye and 25 per cent of wheat.

Since the total daily milling capacity of the 606 commercial mills is 7,100 tons, it will be seen that the average capacity is only a little over ten tons a day, so that the majority are small mills. Most of the commercial mills are equipped for milling local or Hungarian grain and are so situated that it is difficult for them to import Canadian wheat to advantage.

It is stated that about twenty flour mills in Czechoslovakia use Canadian wheat. Of these only some five or six mills have a daily milling capacity of over 100 metric tons. The largest mill is that in Prague belonging to a large baking company. This mill has a daily capacity of 240 metric tons. Another large mill is located south of Brünn in Moravia and is operated by the wholesale co-operative organization. These are the only two really large mills in the Republic. The remaining commercial mills of importance are located in the principal consuming centres and along the Elbe valley, the chief grain-growing district of Czechoslovakia.

FACTORS FAVOURING CONTINUED IMPORTATION OF FLOUR

The above review of the Czechoslovak milling industry will serve to indicate some of the reasons why Canadian wheat flour continues to be imported into Czechoslovakia in spite of the considerable protection afforded the local mills by the new duties. The principal factors to be considered in this connection may be summarized as follows:—

(1) There are only a few large commercial mills in the republic which are in a position to grind Canadian wheat.

(2) The consumers in Czechoslovakia have become accustomed to the use of Canadian flour, which is particularly valued on account of its strength for mixing purposes.

(3) The Czechoslovak mills using Canadian wheat mix it with local wheat or, if the latter is too dear, with Argentine wheat. They seldom can afford to use more than 50 per cent of Canadian wheat as otherwise the price of the flour becomes too high to be competitive. For this reason it is not possible for the local mills to produce a flour equal in strength to the Canadian.

(4) Only those mills situated on the Elbe river or its tributaries can import Canadian wheat to advantage, the remainder being confined to the use of local or Hungarian wheat, which does not produce as strong a flour as the Canadian wheat.

(5) The milling companies have to pay interest at the rate of 10 per cent to finance their grain purchases and this increases the price of the locally milled flour as compared with the imported product.

(6) When the rye crop is large, the local mills are mostly occupied with grinding rye, so that the price of local wheat flour is increased and imported wheat flour can more readily compete.

(7) Although the total milling capacity of the domestic mills is equal to the requirements, there are not a sufficient number of large commercial mills to supply the needs of the principal consuming centres for wheat flour.

GRAIN SUPPLY

The total requirements of the population of Czechoslovakia for bread grains is estimated at around 2,800,000 tons of wheat or rye annually, while the domestic production is normally around 2,200,000 tons. The deficiency has to be made good by imports of either grain or flour. The position with respect to the crop year 1925-26, a year of good harvests, may be summarized as follows:—

Crops, 1925	Imports October, 1925, to September, 1926
(In metric tons)	
Wheat	1,070,000
Rye	1,476,000
Wheat	207,000
Rye	124,000
Wheat flour	230,000
Rye flour	13,000

Last year the wheat crop was provisionally estimated at 971,000 tons and the total harvest of rye at 1,263,000 tons. From September 1, 1926, until the end of March, 1927, there was imported 170,000 tons of wheat, 69,000 tons of rye, 96,000 tons of wheat flour, and 2,000 tons of rye flour.

The above figures indicate the extent to which wheat has become a staple breadstuff of the Czechoslovakian population.

The area cultivated with wheat last year amounted to 1,551,788 acres and that sown with rye to 2,068,227 acres. It has been predicted that the new duties will lead to an extension of the area sown to bread grains and thereby lessen the dependence of Czechoslovakia on imported wheat and rye, these being the only agricultural products which require to be imported to any extent.

USE OF IMPORTED FLOUR

Canadian flour is imported into Czechoslovakia mostly for the use of bakeries in the principal cities and towns. The bakers generally mix the Canadian flour with local flour, using from 20 to 30 per cent and often up to 50 per cent Canadian flour for this purpose. In this way they secure the strength lacking in the local flour and are able to bake a greater amount of bread for the same amount of flour used.

Owing to this excellent quality, the leading Canadian brands have secured an established reputation in the Czechoslovak market. Importers are prepared to pay a higher price for the Canadian product than for competing flours. It is stated that Canadian flour is readily saleable at a price of \$0.25 per 100 kg. over Kansas flour, but if the difference in price becomes greater the sale of Canadian flour is restricted.

Since Canadian flour is imported into Czechoslovakia chiefly to be used by the bakers for mixing purposes, the great bulk is comprised of export patents. There is also a small proportion of third patents imported from Canada. This flour is used chiefly by the pastry cooks. Less than 10 per cent of the total shipments of Canadian flour to Czechoslovakia, however, would be comprised of third patents, the balance being entirely export patents.

The local flour against which Canadian flour has to compete is produced in two grades, a quality flour representing an extraction of 45 per cent of the wheat and an ordinary flour. Canadian wheat is used by some commercial mills, mixed with local, Hungarian, or Argentine wheat in varying proportions up to 50 per cent. The other mills use only local and Hungarian wheat.

DISTRIBUTION OF CANADIAN FLOUR

Practically all of the Canadian flour sold to Czechoslovakia is shipped to the Free Port of Hamburg and from thence by river transport or railway. The river Elbe provides a cheap means of communication by river barge from Hamburg to Tetschen (Decin), Aussig (Usti), and even up to Prague, the chief consuming and distributing centre for foreign flour in the republic. Most of the Canadian flour is transported by this route. Occasionally when time is an important factor, Canadian flour is shipped by railway from Hamburg to Czechoslovakia. Shipments are then made in carload lots, 240 sacks of 140 pounds each, comprising a carload.

A large part of the Canadian flour shipped up the river Elbe is taken by barge as far as Tetschen or Aussig and from thence transported by rail to Prague, the manufacturing centres of Northern Bohemia, Pilsen, Budweis or Brunn. These are the chief consuming and distributing centres for Canadian flour. Prague, the capital, is by far the most important centre. It is the largest city in the republic with a population of over three-quarters of a million, and is also conveniently located for the distribution of imported flour. The manufacturing towns of Pilsen (Plzen) and Budweis (Budejovice) also distribute fair quantities of Canadian flour, while the important manufacturing city of Brunn (Brno) in Moravia is another fairly large consumer. Some Canadian flour is sold in the thickly settled parts of Silesia and in Slovakia, but it becomes more difficult for Canadian flour to compete with the Hungarian product the greater the distance from the Elbe system of waterways.

SELLING AGENCIES

The distribution of Canadian flour in Czechoslovakia is mostly in the hands of the agents of the Canadian milling companies located in Hamburg and in Holland. These agents are in some cases represented by sub-agents in Prague or else work in close touch with one or other of the principal importing firms. A few milling companies have direct representatives in Czechoslovakia, but this is the exception.

The leading Czechoslovak flour importers are located in Prague, there being only a few firms of any account outside of that city. The bulk of the trade is done by a limited number of the principal importers, some of whom have the exclusive sale of certain mill brands by arrangement with the mills or with the Hamburg or Dutch agents. The importers in their turn sell direct to the bakeries or consumers.

TERMS OF PAYMENT

Unfortunately a certain amount of speculation has entered into the Czechoslovak flour business since the war and this has compelled the Canadian mills to exercise care in their dealings with this market. The position has improved

somewhat through the weeding out of certain concerns and the tendency of the principal importers to confine their transactions to pure merchandising. On the other hand, complaints are still frequent regarding the failure of Czechoslovakian buyers to fulfill their obligations promptly.

The granting of credit to Czechoslovakian flour importers by the Canadian milling companies does not often come into question. These importers usually request extensive credit terms, but in most instances the credits are extended by other parties than the mills. The Dutch firms, who have the exclusive representation for Central Europe of certain Canadian mill brands, have been granting credits up to sixty or ninety days to Czechoslovak flour buyers. These credits are granted in accordance with financial arrangements concluded with Dutch banks or against bank guarantees furnished by the buyer.

The Hamburg agents of the Canadian mills and German importers have been less liberal in the granting of credit to Czechoslovakian buyers. Certain facilities have been extended by some of the mills to Czechoslovakian dealers having the exclusive sale of their brands. Various proposals are made by the buyers for credit terms, the least extensive among these being the proposal for payment within fourteen days after arrival of the goods at Tetschen on the German-Czechoslovak border. Such requests for credit are only granted if all the circumstances warrant this course, and each case has to be decided on its merits. In general, the greatest care has to be exercised in the granting of credit to Czechoslovakian flour buyers.

Although the Canadian mills have been reluctant to grant extensive credit terms to Czechoslovakian flour buyers, sales on an option basis have become a regular feature of the trade with this market. The buyer usually meets the draft drawn for the agreed price on terms of cash against documents on arrival of the goods at Hamburg. The buyer is then free to exercise his option within a stated period and any difference in price one way or the other is adjusted through the agent of the mill.

In addition to sales for direct shipment, a certain amount of flour is sold to Czechoslovakian buyers from consignment stocks at Hamburg. Such sales are usually made against cash, the Hamburg bank or agent releasing the documents on payment.

In the case of both sales for shipment and sales from consignment stocks, the goods are transferred at Hamburg to forwarding agents simultaneously with the taking up of the documents. These forwarding agents undertake the transport of the goods and delivery to the buyers in accordance with the instructions of the agent of the mill.

QUOTATIONS AND PACKING

Canadian flour for sale to Czechoslovakia should be quoted c.i.f. Hamburg in Canadian currency per 100 kg. (220 pounds). Quotations should be made for shipment in the current month and in the succeeding month or months.

Most of the Canadian flour imported into Czechoslovakia is packed in jute sacks of 140 pounds each. Cotton sacks of 50 kg. (110 pounds) each are also used, and in some recent months a third of the shipments have been comprised of this form of container. Recently some mills have commenced shipping in cotton sacks of 140 pounds, so that the use of cotton sacks appears to be increasing.

REPRESENTATION

It has been pointed out that the majority of the Canadian mills doing business with Czechoslovakia work the market through German or Dutch agents. This is a satisfactory method of trading with an interior country in a commodity such as flour. Being located at the port of Hamburg, these agents are able to

exercise an effective control over shipments. All of the Dutch flour firms have representatives in Hamburg while the German agents are located in that port. If for any reason the documents are not taken up at Hamburg, the agent can dispose of the flour elsewhere. This would be impossible in the case of shipments direct to Czechoslovakia. On the other hand, it may be good policy to extend to a well-established and reliable flour dealer in Czechoslovakia the exclusive sale in the republic of a Canadian mill brand as has been done in several instances.

CHAPTER VII

Provisions

Flour and grain comprise the great bulk of the present Canadian exports to Czechoslovakia, but the republic also offers a limited market for certain other kinds of food products which Canada is in a position to supply.

RESTRICTED OPENINGS

In general, Czechoslovakia is self-supporting with respect to most agricultural products. Normally there is a considerable exportable surplus of sugar, barley, oats, potatoes, fruits, hops, alcohol and beer, while the output of dairy products, eggs and poultry nearly covers domestic requirements. The only agricultural products which Czechoslovakia usually requires to import in any quantity are bread grains, meats and fats. In the case of the last two commodities the normal annual deficiency amounts to around 10,000 tons of meat and 43,000 tons of fats.

Under these circumstances, bread grains and products milled therefrom are the only staple agricultural products in which Canada can hope to do a large business with the Czechoslovakia market. On the other hand, limited openings are presented for the sale in this market of a number of other Canadian food products, including specialties not produced in the republic. At present the only Canadian foodstuffs, besides flour and grain, being sold in Czechoslovakia are cheese, canned lobsters, canned salmon, and canned fruits, while small quantities of Canadian lard, butter, dried apples and fresh apples occasionally reach this market from Hamburg. The trade in these and other food products will be reviewed in the following sections of this report.

DAIRY PRODUCTS

There are some 800 dairies in Czechoslovakia utilizing annually about 800,000,000 gallons of milk. The total value of the annual output of milk, butter, and cheese is estimated at \$90,000,000. Nevertheless Czechoslovakia requires to import a certain amount of dairy products.

Butter.—The butter imports into Czechoslovakia are not very large, having amounted in each of the last two years to around 10,000 hundredweight. On July 14, 1926, the duty on butter was increased to 210 crowns (\$6.30) per 100 kg. (220 pounds). This will probably serve to restrict importations, but up to the present this has had no appreciable effect.

The chief sources of supply for the butter imported into Czechoslovakia are Denmark and Holland. Only small quantities of overseas butter have been imported. Canadian butter could be sold to Czechoslovakia through the Hamburg market, when the price is competitive. There would be no advantage in developing a direct trade with Czechoslovakia in Canadian butter.

The Czechoslovak trade statistics show a total import of butter in 1925 amounting to 11,892 cwt., of which 7,325 cwt. came from Denmark and 2,266

cwt. from Holland. The small quantity of 63 cwt. was given as having been imported from New Zealand and a further 49 cwt. from Hamburg, a part of which probably consisted of overseas butter. In 1926 the total imports of butter amounted to 10,572 cwt., Denmark and Holland again supplying the largest quantities. Of the above total, 3,598 cwt. were imported in the last five months of the year after the increased duty had been imposed.

Cheese.—Importations of cheese into Czechoslovakia are also not very large and are chiefly comprised of the special kinds of Swiss, Italian, Dutch, and French cheeses, which are not successfully produced in the republic. Total imports in 1925 amounted to 17,736 cwt., of which 13,161 cwt. were supplied by Switzerland, while in the same year 80,309 cwt. were exported from Czechoslovakia. A total of 28 cwt. was given as having been imported from Canada and 69 cwt. from the United States. Imports from Hamburg in 1925 amounted to 95 cwt. In 1926 the total imports of cheese amounted to 19,624 cwt. and exports to 77,154 cwt.

Canadian compressed cheese wrapped in tinfoil and packed in 5-pound boxes has been introduced into Czechoslovakia since 1924. At first sales were fairly satisfactory, but the volume of business has never approached that secured for this kind of cheese in Germany. Not only is there a large domestic production in Czechoslovakia, but Canadian compressed cheese is subject to luxury tax in addition to a fairly high rate of duty.

At present it is reported that the sale of Canadian compressed cheese in Czechoslovakia is declining as the price is too high compared with other kinds of cheese on the market. Leading provision agents in Prague stated that they considered the cheese business too competitive, since even the Swiss Emmenthaler make of cheese was being sold at cost and there were too many makes on the market. In view of the large output of cheese in Czechoslovakia, the only opening for the imported product was in the case of special makes.

Canadian compressed cheese has been distributed in Czechoslovakia chiefly by Hamburg firms, most of whom have sub-agents in Czechoslovakia. A larger business might be done with distribution through direct provision agents in Czechoslovakia, but in view of the restricted demand the Canadian companies will probably be justified in continuing to work the market through their Hamburg connections.

The duty on fine table cheese imported into Czechoslovakia is 420 crowns (\$12.60) per 100 kg. (220 pounds) and that on other cheese is 350 crowns (\$10.50). There is a conventional duty of 294 crowns (\$8.82) applicable to Camemberts, Gorgonzola, and certain other makes of fine table cheese, and a conventional duty of 210 crowns (\$6.30) applicable to Parmesan, Lodogiano, and Reggiano cheeses. Canadian compressed cheddar cheese and a number of other makes of fine table cheese are also subject to a luxury tax of 12 per cent of the value on importation into Czechoslovakia, and this has been a considerable factor in restricting the sale of these kinds of cheese.

HONEY

The sale of Canadian honey in Czechoslovakia has been restricted by the present system of import licenses. Very few licenses are granted for the importation of honey, so that although one Canadian exporting concern is represented in Prague, very little business has resulted. A considerable amount of honey is produced in Czechoslovakia, but the consumption is also large, particularly among the German-speaking population of Northern and Western Bohemia, who use honey regularly for their breakfast. It is therefore felt that business can be done in the importation of Canadian honey as soon as the present system of import licenses is removed.

The Czechoslovak trade statistics show an import of honey in 1925 amounting to 31,086 pounds, of which 21,936 pounds came from Hamburg and 4,563 pounds from Chile. The total imports in 1926 were 644,600 pounds, most of which came in during the last two months of the year.

The duty on honey imported into Czechoslovakia is 280 crowns (\$8.40) per 100 kg. This duty is therefore equivalent to about 4 cents a pound.

PACKING-HOUSE PRODUCTS

Lard is the packing-house product in which the most business is done with Czechoslovakia. The consumption of hog's lard is not so great as in Germany owing to the large quantity of goose fat available in the republic. Nevertheless the total imports of pig's fat amounted in 1925 to 32,758 metric tons, of which 9,658 tons were supplied from the United States, 8,843 tons from Germany, 7,476 tons from Hamburg, 3,606 tons from Hungary, 1,311 tons from Holland, and 619 tons from Trieste. Last year the total imports of pig's fat were 31,514 metric tons, of which 24,407 tons were imported during the first seven months of the year. On July 14, 1926, a duty on pig's fat of 150 crowns (\$4.50) per 100 kg. was imposed, together with the other protective duties on agricultural products. This duty has served to restrict somewhat the importations of lard into Czechoslovakia.

Imports of bacon into Czechoslovakia amounted in 1925 to 4,955 metric tons and in 1926 to 4,988 metric tons. In the former year 2,098 tons were imported from Hungary and the balance chiefly from Hamburg, Germany, and the United States.

Among the imports of fresh and frozen meat in 1925 were 7,609 metric tons of beef, chiefly from Roumania and Argentina; 544 tons of pork, chiefly from Poland; and 1,833 tons of other meat, also chiefly from Poland. In 1926 the total imports were 4,610 tons of beef, 3,805 tons of pork, and 2,125 tons of other meat. Most of this import took place before July 14, when the duty on fresh meat was increased to 165 crowns (\$4.95) per 100 kg. At the same time the duty on prepared meats was increased to 180 crowns (\$5.40).

The chief openings for the sale of Canadian packing-house products to Czechoslovakia are in lard, pigs' livers, and oleo oil. The distribution of these products can best be effected through Hamburg importers who cover Czechoslovakia as part of their territory. A large part of the sales of North and South American packing-house products to Czechoslovakia are made from consignments shipped to Hamburg by the overseas packing houses.

DRIED FRUITS

In 1925 Czechoslovakia imported 3,797 metric tons of prunes, of which 2,559 tons came from Yugoslavia, and 252 metric tons of other dried fruits, of which 104 tons came from Hamburg, 60 tons from Germany, and 56 tons from the United States. In 1926 the imports were 5,332 metric tons of prunes and 352 tons of other dried fruits.

There is a fair demand for evaporated apple rings in Czechoslovakia, both for general consumption and for sale to the jam factories, but being a bulk article, supplies are mostly purchased by dealers on the Hamburg market. This is therefore another product for which Canadian exporters do not require a direct connection with Czechoslovakia, since they can secure their share of the business by having brokers or agents in Hamburg.

The duty on evaporated apples imported into Czechoslovakia is 200 crowns (\$6) per 100 kg., which amounts to nearly 3 cents per pound and is relatively high for such an article, so that the duty serves to restrict business.

FRESH APPLES

Importations of fresh apples and pears into Czechoslovakia amounted to 308,354 pounds in 1925 and 1,062,600 pounds in 1926. In the former years Italy and Germany were the chief sources of supply, followed by the United States and Australia. The quantity imported from the United States amounted to 24,796 pounds and that from Australia to 24,202 pounds, while a further quantity of 20,715 pounds was imported from Hamburg and probably consisted entirely of overseas apples.

There is a very good demand for North American apples in Czechoslovakia, which are imported for sale to the better-class trade. Some years ago the wholesale provision merchants in Prague arranged for the direct import of fresh apples from the United States, but since then the fruit dealers have been able to buy to better advantage at the Hamburg fruit auctions, so that the direct trade in this line has practically ceased. No Canadian apples have been sold in Czechoslovakia during the past season, but when it again becomes possible for Canadian apples to be sold at the Hamburg auctions, the Czechoslovak buyers will probably bid for their share of the consignments.

The duty on apples, packed, imported into Czechoslovakia is 200 crowns (\$6) per 100 kg., or about \$1.20 per box.

FISH

Provision dealers in Prague were interviewed with respect to the possibilities of selling Canadian frozen salmon and other frozen fish to Czechoslovakia, but it was found that the prospects were not encouraging. Being an inland country, the people of Czechoslovakia are mostly unacquainted with salt-water fish. Even fresh salmon is not appreciated. The taste of the people is entirely in favour of fresh-water fish, of which an abundant supply is furnished by the rivers, and fish ponds of the country. The fish ponds cover an area of 121,195 acres and are mostly situated in Southern Bohemia. In addition, there are 12,500 miles of rivers yielding fish. The annual catch amounts to about 3,000 metric tons.

Ninety per cent of the fish caught are carp, which is the most popular edible fish in Central Europe. The market in Prague contains a number of large tanks from which carp are sold alive. The remainder of the fish caught in Czechoslovakia are pike, trout, and perch.

In view of the above considerations, there is little opening for the sale of Canadian frozen fish to Czechoslovakia.

CANNED LOBSTERS AND SALMON

There is a much better opening for the sale of Canadian canned fish in Czechoslovakia, and this was the line in which most interest was shown by the provision agents and merchants interviewed in Prague. The demand, however, is a restricted one, and Canadian exporters of canned fish cannot hope to secure any large turnover from their business with this market.

A number of brands of Canadian canned lobsters and canned salmon have been introduced into Czechoslovakia and appear to be finding a good sale, judging from the number of cans displayed in the store windows.

The business in canned lobsters is restricted by the high duty of 1,200 crowns (\$38) per 100 kg. (220 pounds), or roughly 17 cents a pound plus a luxury tax of 12 per cent on the value. One leading provision firm stated that, with a first-class representation and competitive prices, they could dispose of about 300 cases of canned lobsters a year. The chief demand was for half tins, packed 96 to the case. The price to dealers per half tin last April was around 20 to 21 crowns (\$0.60 to \$0.63). One wholesaler handling a brand of Canadian lobster packed for a British firm found their price too high at 22 crowns (\$0.66) per half tin.

The demand for canned salmon is also restricted, largely on account of the high duty of 600 crowns (\$18) per 100 kg., or roughly 8½ cents a pound. A large business was done in canned salmon shortly after the war when there was a general shortage of foodstuffs and no duties were imposed on canned goods. Since the duty was imposed the trade has shrunk to small dimensions, only a few cases at a time being sold to any one dealer.

The chief demand is for tall pinks. Red salmon can only be sold to a few dealers. A certain amount of chum is sold, as retailers are stated to pass off chum salmon as pinks to ignorant customers, but generally speaking only pinks are required. Tall tins are preferred for pinks, but for red salmon flats are also imported. The price to dealers of tall pinks, packed 48 tins to the case, ranged in April around 10 crowns (30 cents) per tin, so that it can be understood that at this price no large turnover is possible.

In general the sale of canned fish in Czechoslovakia is affected by the fact that the people are not great fish eaters. The consumption is confined to the principal cities and towns. The provision agents interviewed stated that they usually sold a few cases of both lobster and salmon at a time and twenty cases at the most to any one dealer. There were only a few customers who could purchase a hundred cases of canned goods at a time. One of these was a dealer with seven high-class stores in Prague, and another a provision dealer with seventy-three stores throughout the republic. A wholesaler interviewed in Prague stated that he could handle about fifty cases of canned salmon at a time. These instances will serve to illustrate the extent of the demand in Czechoslovakia for canned lobsters and salmon.

No complaints were made against the quality of the Canadian canned lobsters and salmon being sold in Czechoslovakia. The Canadian brands in question had been well introduced and were meeting with favour. Mention, however, was made that the wood used for the cases in which Canadian canned fish was packed was not always satisfactory, as broken cases had been rather frequent, resulting in losses and damaged cans.

In the case of both canned lobsters and canned salmon it is advisable that the Canadian exporters should be represented by direct agents in Prague having the exclusive sale of the brands in question for the whole of Czechoslovakia.

OTHER CANNED FISH

There is not much opening for the sale of any other kinds of Canadian canned fish in Czechoslovakia. Sardines enjoy a fair sale, but the Canadian product would have to compete against French, Portuguese, Spanish, and Norwegian supplies. The price to dealers of French sardines last April was 9 crowns (27 cents) and more per quarter (230 gr.) tin. Norwegian sardines in oil were selling at around 7½ crowns (22½ cents) per quarter (250 gr.) tin, and Californian sardines in oil and tomato sauce at 13 crowns (39 cents) per tin of 1 pound net. The conventional duty on canned fish in oil is 450 crowns (\$13.50), and on sardines in pure olive oil is 360 crowns (\$10.80) per 100 kg. (220 pounds). Total imports of sardines in Czechoslovakia amounted last year to 3,350,600 pounds of a value of 19,806,000 crowns (\$594,000).

It was not considered that the sale of canned pilchards from Canada could be developed to any extent, as even the demand for sardines was not so very great and pilchards were comparatively unknown. There was also no demand for canned little fish unless packed flat like sardines. Inquiries were also made with regard to the possibility of introducing Canadian canned clams, but nothing could be done in this article as clams are entirely unknown in Czechoslovakia.

The Czechoslovak trade statistics show, in addition to sardines, an import in 1926 of 325,600 pounds of other canned fish in oil and 224,400 pounds of other

canned fish, including canned salmon. In 1925 the latter import amounted to 242,000 pounds, of which 3,000 pounds were given as having been imported from the United States and 528 pounds from Canada.

CANNED MILK

The sale of imported canned milk in Czechoslovakia has been declining, and since the duty was imposed on July 14, 1926, very little canned milk has been imported. In 1925 a total of 756,936 pounds of evaporated and dried milk was imported, of which 380,017 pounds were shown as having come from the United States. The total import in 1926 was 420,200 pounds, but all except 6,600 pounds of this quantity entered Czechoslovakia before the duty came into effect.

The duty on canned milk and dried milk in tins or barrels is 360 crowns (\$10.80) per 100 kg. (220 pounds), or 5 cents a pound. This duty is sufficiently high to restrict importation in view of the plentiful supply of fresh milk in the republic. Before the duty was imposed, the bulk of the business in canned milk was done by a United States firm, who sold from consignments in Hamburg through their agents in Prague. Some Canadian canned milk, and especially dried milk, was also sold to Czechoslovakia by Hamburg distributors.

CANNED FRUITS

A fair amount of business is done in Czechoslovakia with the leading brands of California canned fruits. The chief demand is for canned peaches, pears, apricots, and pineapples. One Canadian company is represented and is securing some orders, but it is difficult to compete against the leading California brands, which are so well introduced on the market.

The conventional duty on canned fruits imported into Czechoslovakia was 560 crowns (\$16.80) per 100 kg., but this has ceased to be effective with the abrogation of the treaty with Austria, so that the general rate of 1,200 crowns (\$36) now applies. Pineapples are the only canned fruits subject to luxury tax.

Imports of canned fruits into Czechoslovakia in 1925 totalled 273,093 pounds, of which 58,947 pounds came from the United States, 28,710 pounds from Hamburg, and 279 pounds from Canada. In 1926 the total imports were 514,800 pounds valued at 1,831,000 crowns (\$54,930).

The following were the prices to dealers ruling last April for California canned fruits per 2½-pound tin, packed 24 tins to the case:—

	Crowns	\$
Peaches	16.00 to 17.50	0.48 to 0.52½
Apricots	16.50 to 17.50	0.49½ to 0.52½
Pears	19.00 to 20.50	0.57 to 0.61½
Fruit salad	22.00	0.66
Pineapples	15.00 to 17.00	0.45 to 0.51

CHOCOLATES

There is not a very large importation of chocolates into Czechoslovakia, and it would be very difficult for the Canadian product to compete against the Swiss and German chocolates. Imports in 1925 amounted to 88,000 pounds, Switzerland, Germany, and Austria being the chief sources of supply, but 1,439 pounds were imported from the United States and 15 pounds from Canada. The conventional duty on chocolates is 1,820 crowns (\$54.60) and the general rate is 2,600 crowns (78) per 100 kg. These high duties serve to greatly restrict the importation.

MISCELLANEOUS PROVISIONS

There are a number of other miscellaneous provisions imported into Czechoslovakia, but in practically every case the volume of business is small. There are very few openings for Canada apart from the lines already dealt with. Tomato sauce is imported from Canadian factories. It was stated that apart from one well-introduced brand of tomato sauce, no business could be done in this article. English and American biscuits are being sold in the better-class stores, and the same applies to English jams. It was not considered likely that Canadian jams could be introduced as the turnover was so small and the sale was chiefly restricted to well-known brands. Nevertheless some of the provision agents and wholesale firms interviewed stated that they were open for further connections in provision lines, such as jams, sauces, canned soups, etc., so that any Canadian exporter interested could be put in touch with suitable agents in Czechoslovakia.

REPRESENTATION

The most important point to be considered in connection with the development of trade with Czechoslovakia in provision lines is the question of representation. In many lines this market can be worked through agents established in Hamburg for the whole of the territory dependent upon that port, since the dealers in Czechoslovakia draw their supplies of many articles through Hamburg importers. Speaking generally, it may be stated that for all bulk commodities it is not necessary for the Canadian exporting firms to have direct connections with Czechoslovakia, but only indirectly through their representatives in Hamburg. Such bulk commodities are grain, lard and other packing-house products, dried and evaporated apples, and fresh apples. On the other hand, in the case of branded articles—i.e. commodities sold under a brand or trade mark—better results are undoubtedly obtained if the Canadian exporting firm is directly represented by an agent in Prague who will be personally interested in pushing the sale of the particular brand in Czechoslovakia. Such commodities are canned lobster, canned salmon, other canned fish, canned fruit, package cheese, honey, jams, sauces, biscuits, etc. A number of provision agents and wholesale merchants were interviewed in Czechoslovakia, and any Canadian exporter interested in this market can be placed in touch with suitable representatives on application to the Canadian Government Trade Commissioner at Hamburg.

The products which are sold under a brand or trade mark can also be sold in Czechoslovakia through general agents in Hamburg or some other centre, but the disadvantage is that the same personal attention is not given to the development of Czechoslovak business as in the case of a direct representative. It is usually necessary for the general representative to have a sub-agent in Prague, and this only adds to the cost of merchandising. The representative in Prague of a Hamburg firm of provision distributors stated that he found it very difficult to sell canned goods in competition with the direct agents of the overseas packers. The profit for him on a case of California canned fruits only worked out at 4.80 crowns (14 cents), and this did not make it worth his while to canvass business.

In the case of bulk articles, the Czechoslovak dealers are accustomed to purchase their supplies on the Hamburg market, and hence direct connections in Czechoslovakia are not necessary for the Canadian exporters.

For provisions sold under a brand or trade mark, the best representation is a firm of wholesale merchants, to whom can be given the exclusive sale in Czechoslovakia of the brand concerned. It is necessary to choose a representative of good standing, who is financially sound. Sales may be made cash against documents c.i.f. Hamburg. If desirable, credit can be extended to facilitate business, but is not always necessary. The representative in turn sells from stock for cash or on thirty days' credit to retail dealers throughout the republic.

CHAPTER VIII

Motor Vehicles

The Republic of Czechoslovakia is another of the European countries in which the development of motor transport has been retarded. Good openings should be presented therefore for the future trade in motor vehicles with Czechoslovakia, as the use of mechanical transport approaches the standard of other countries.

At present the importation of motor vehicles into Czechoslovakia is restricted chiefly through the measures of protection accorded the domestic industry by the Government. Not only are high customs duties imposed on imported motor vehicles, but the importations also are limited by the system of import license and quotas applicable to automobiles and motor cycles.

PRESENT EXTENT OF MARKET

According to the official figures of registration, there were 17,876 motor cars and busses, 7,134 trucks, and 16,132 motor cycles in Czechoslovakia on June 30, 1926. This is only equivalent to one motor vehicle for every 330 inhabitants, which figure is far behind the average of Western European countries, and is even considerably behind that of Germany. This illustrates the backward development of motor transport in Czechoslovakia.

The annual sale of new motor cars and trucks in Czechoslovakia is now estimated at around 10,000 units, of which about 7,000 units are represented by domestic vehicles and the remainder by foreign cars and trucks.

The official trade returns previous to this year do not give a clear indication of the number of motor vehicles imported from different countries, but on the basis of import licenses granted, it would appear that in the year 1926 about 3,000 units of motor cars and trucks were imported and that of this total North American makes represented approximately 1,500 units, French makes about 500 units, Italian makes about 500 units, while the remainder were comprised of German, Austrian, British, and other makes. These figures are unofficial and are only approximate, being based on the private estimates of dealers.

The imports last year were greater than in 1925, when only about 800 units of North American makes were imported. The trade returns for the first three months of 1927 show the following total imports:—

	Units	Value 1,000 C.S. Crowns
Passenger cars, weighing less than 1,000 kg. (2,204 lbs.) each	283	7,090
Passenger cars, weighing over 1,000 kg. (2,204 lbs.) each ..	184	8,476
Trucks and motor busses, weighing less than 1,500 kg. (3,306 lbs.) each ..	128	2,549
Trucks and motor busses, weighing from 1,500 kg. (3,306 lbs.) to 3,000 kg. (6,612 lbs.) each ..	12	559
Trucks and motor busses weighing over 3,000 kg. (6,612 lbs.) each ..	1	55
Motor cycles ..	888	7,494

The countries of origin of the above importations of motor vehicles are only indicated by value and tonnage. The following are the total values of the different automobiles shown as having been imported from the principal exporting countries in the first three months of this year:—

Country of Origin	Passenger Cars weighing less than 1,000 Kg.	Passenger Cars weighing over 1,000 Kg.	Trucks weighing less than 1,500 Kg.
	In 1,000 C.S. Crowns		
United States ..	534	4,029	919
Trieste ..	591	...	521
Italy ..	3,038	1,710	...
France ..	1,992	956	...
Austria	592	...
Germany ..	420

NOTE.—1 Czechoslovak crown=\$0.0296; 100 kg.=220.46 lbs.

The above are the only countries of origin indicated in the Czechoslovak trade returns. The imports from Trieste probably comprised American makes of motor cars assembled in that port.

CUSTOMS DUTIES ON MOTOR VEHICLES

The duties on motor vehicles imported into Czechoslovakia are an important factor in restricting the sales of automobiles and trucks in this country. According to the tariff changes which came into effect on July 14, 1926, the following scale of general rates of duty applicable to motor vehicles was introduced:—

Tariff Item	Description	Crowns per 100 Kg.
553 (a)	Motor cycles, also with side-cars and separately imported side-cars	2,500
(b)	Passenger automobiles (also motor tricycles), chassis with or without motors and bodies, separately imported, in weight:	
	1. Up to 1,000 kg. (2,204 lbs.)	2,300
	2. Over 1,000 kg. (2,204 lbs.)	2,700
	Note—Chassis of a value of over 80,000 crowns and automobiles, the chassis of which is valued at over 80,000 crowns, are subject to a surtax of 25 per cent ad valorem.	
(c)	Motor trucks, motor busses, automobiles with inseparable working equipment, chassis with or without motors and bodies, separately imported, in weight:	
	1. Up to 1,500 kg. (3,306 lbs.)	1,900
	2. From 1,500-3,000 kg. (6,612 lbs.)	1,700
	3. Over 3,000 kg. (6,612 lbs.)	1,400
(d)	Tractors and motor ploughs, in weight:	
	1. Up to 1,500 kg. (3,306 lbs.)	540
	2. From 1,500-3,000 kg. (6,612 lbs.)	680
	3. Over 3,000 kg. (6,612 lbs.)	520

The above are general rates of duty. In addition there is a conventional rate of duty of 45 per cent ad valorem applicable to "automobiles, chassis with or without bodies, separately imported without consideration of weight." This conventional rate is provided for in the treaty with France, but is applicable to the products of all countries having most-favoured-nation agreements with Czechoslovakia. This includes Canada, so that motor cars from Canada can be imported at the conventional rate of 45 per cent ad valorem or at the general rate at the option of the importer.

There is also a conventional duty of 1,700 crowns per 100 kg. applicable to motor cycles weighing more than 120 kg. (264 pounds) per piece (without side-cars).

Most motor cars imported into Czechoslovakia are dutiable at the conventional rate of 45 per cent ad valorem. It is therefore important to consider the basis on which this duty is levied. The invoice value of the car is not taken as the basis for the duty, but it is assessed on the retail sales price, f.o.b. factory, in the country of origin, to which is added the cost of boxing, inland freight to seaboard, ocean freight, freight from port of arrival to Czechoslovak frontier, and insurance charges. These particulars are investigated by a special official of the Ministry of Commerce, who draws up tables of the valuation for duty purposes of the various foreign makes of cars imported into the republic. When necessary, the assistance of dealers and representatives of foreign cars is sought to secure information on doubtful points in connection with the duty valuation.

The clearance of motor cars through the customs can only be executed through specially authorized customs officials, who are stationed at Podmokly-Decin (Bodenbach-Tetschen), Brno (Brünn), Ces-Budejovice (Budweis), Cheb

(Eger), Karlovy Vary (Carlsbad), Kosice, Mor-Ostrava, Plzen (Pilsen), Prague, Bratislava, Liberec (Reichenberg), and Znojmo (Znaim). Customs clearance must therefore take place at one of these stations.

LUXURY TAX

In addition to customs duty, foreign passenger motor cars, the engines of which have a total cylinder content of more than 2.5 litres, are subject to a luxury tax of 12 per cent ad valorem on importation into Czechoslovakia. The luxury tax is not applicable to motor trucks, busses, or ambulances. The practice has been to levy the luxury tax on the customs valuation plus duty.

The 2.5 litres exemption basis for luxury tax only came into effect on May 1, 1927. Previously the exemption list had been 1.95 litres cylinder capacity, which resulted in a very few foreign makes of motor cars being exempted from luxury tax. It is stated that under the new exemption limit some three or four American makes of small cars and a few other foreign makes will be exempted.

The luxury tax regulations also apply to domestic motor cars, but hitherto practically all the two- and four-cylinder automobiles manufactured in Czechoslovakia have been exempt from luxury tax. It has been estimated that four-fifths of the domestic cars are not subject to luxury tax, having mostly been designed to come within the exemption limit. In 1926 domestic cars contributed only about 20 per cent of the total amount of luxury tax collected on passenger motor cars. One of the reasons for increasing the exemption limit has been stated to be the desire of the Czechoslovak manufacturers to build motor cars with larger cylinders in order to satisfy the public demand for higher-powered cars.

IMPORT RESTRICTIONS

Motor vehicles are among the commodities subject to import restrictions in Czechoslovakia. Importations can only take place under license. Applications for import license have to be made by the dealer or distributor wishing to import the motor vehicles in question. The licenses are granted in accordance with the system of contingents or quotas assigned to the different exporting countries. Under the trade treaty with France, that country is guaranteed a minimum contingent of 500 automobiles a year. All countries having most-favoured-nation agreements with Czechoslovakia, including Canada, are entitled to a corresponding minimum contingent or quota.

The automobile contingent covers both passenger motor cars and trucks. There is also a separate yearly contingent for motorcycles, amounting to 1,500 motorcycles from each country.

The automobile quotas are only exhausted in the case of a few countries. Last year only the quotas assigned to the United States, France, and Italy were fully utilized. In the case of the United States quota the minimum contingent is usually exceeded. In 1925 licenses were granted for the importation of some 800 units of United States origin, while last year around 1,500 units from that country were admitted under license. It was reported that by April of this year licenses had been granted for approximately 800 units of United States origin under the contingent arrangements for 1927. The granting of licenses in excess of the minimum contingent is dependent on the discretion of the authorities.

It is reported that the system of import licenses and contingents for motor vehicles may shortly be abolished. Negotiations are now proceeding for the conclusion of a trade treaty between Czechoslovakia and Germany and the latter country has been endeavouring to secure the abolition of the Czechoslovak import restrictions.

CZECHOSLOVAK MOTOR CAR INDUSTRY

The chief purpose of maintaining the import restrictions on motor vehicles imported into Czechoslovakia is to afford additional protection to the domestic industry. There are some half a dozen factories in Czechoslovakia manufacturing automobiles.

The largest producing factory is the well-known Bohemian-Moravian Engineering Company, who manufacture all kinds of industrial machinery. They have been making automobiles since 1907 and turn out the "Praga" make of motor cars, which are produced in an up-to-date factory in Prague on the mass-production principle. This company specializes in the small type of car and manufacture four designs of 4-cylinder engines. The total production last year of "Praga" automobiles was around 3,500 units.

The next largest producing factory is the Koprivnice car-building works in Moravia, which have a department for the manufacture of automobiles. This company have also adopted American methods to a large extent. They produce the "Tatra" make of automobiles, which comprises one 2-cylinder and two 6-cylinder models. The output last year was approximately 1,500 units.

The oldest manufacturer of automobiles in Czechoslovakia is the firm of Laurin & Klement, with works at Mlada Boleslav in Bohemia. They commenced with the manufacture of motorcycles, but have been making automobiles for over twenty years. They produce three 4-cylinder models and one 6-cylinder. The capacity of the works is estimated at 1,500 units, and last year's production was probably slightly more than half this figure.

The Laurin & Klement Company were recently bought out by the well-known Skoda works, one of the most important iron and steel and engineering firms in Central Europe. The Skoda works themselves have been producing motor cars under the Hispano-Suiza patents, but these have been expensive cars and the total annual production has not been considerable. The Skoda works also turn out tractors and steam trucks and busses.

Another important concern, which have been making motorcycles and automobiles almost since the inception of the industry, is the firm of J. Walter and Company of Jinonice, near Prague. They have been specializing in the manufacture of 4-cylinder motor cars of medium price and at present turn out two models. The production last year of this factory was probably somewhat over 500 units.

Another make of motor car produced in Czechoslovakia is the "Z," which has only recently appeared on the market. The production of this make and Hispano Suizza would bring the total production of automobiles in Czechoslovakia last year to around 7,000 units, of which the "Praga" accounted for about half.

SELLING PRICES OF AUTOMOBILES

The chief reason for the relatively backward development of motor transport in Czechoslovakia may be ascribed to the high retail prices of the automobiles sold in the republic. The basing of the customs duty on the retail selling price in the country of origin and the imposition of luxury tax render the prices of the imported automobiles considerably higher than in most countries. The sales price of North American makes of motor cars ranges in Czechoslovakia at between two to three times the American list price. For instance, Ford cars sell at 30,770 crowns (\$923.10) and up. In spite of the adoption of North American methods of manufacture, the domestic factories have not yet succeeded in reducing their prices to a level within reach of the ordinary

middle-class or professional man. The following are the sales prices of the principal Czechoslovak makes of passenger automobiles:—

Make	Number of Cylinders	Retail Sales Price in Crowns
Praga Picolo	4	29,000 to 37,000
Praga Alfa	4	41,000
Praga Mignon	4	66,000
Praga Grand	4	99,000 to 152,000
Tatra	2	37,600 to 52,100
Tatra	6	125,000 to 140,000
Laurin and Klement	4	49,000 to 60,000
Laurin and Klement	4*	57,000 to 70,000
Laurin and Klement	4	62,000 to 73,000
Laurin and Klement	4	95,000 to 120,000
Laurin and Klement	6	105,000 to 130,000
Walter	4	56,000 to 67,000
Walter	4	70,000 to 83,000

* Landaulette.

As an indication of horse-power of the above motor cars, it may be stated that the Praga Mignon has a horse-power rated at 9/25 h.p. and the Praga Grand at 15/50 h.p., while the Laurin & Klement 4-cylinder cars have power ratings at 9/25, 13/40, and 18/50 h.p.

OPENINGS FOR IMPORTED AUTOMOBILES

In spite of the high duties and taxes, imported motor cars are finding increasing favour in Czechoslovakia. This especially applies to the North American makes of automobiles. All types and various-priced cars are in demand, but a special opening appears to exist for the medium-priced motor car. Those small cars which are subject to luxury tax have a relatively high delivered cost and this might be expected to restrict sales, but it has been found possible to sell as many as can be imported within the limits of the import restrictions. The trend towards the closed car is as evident in Czechoslovakia as elsewhere in Northern and Central Europe.

The rule of the road in Czechoslovakia is keep to the left, which is the same as in all the countries formerly comprising the Austro-Hungarian Empire. Domestic motor cars accordingly are manufactured with right-hand drive. The same applies to the automobiles imported from Austria and Great Britain, but most of the other imported cars have the left-hand drive, and this apparently does not in any way affect their sale in Czechoslovakia.

There is not a great demand in Czechoslovakia for imported trucks apart from the 1- and 1½-ton trucks, for which two American makes secure the great bulk of the business. For the heavier trucks the domestic factories supply most of the demand, with occasional imports from Germany and other European countries.

DISTRIBUTION

The distribution of imported automobiles in Czechoslovakia can best be effected through a firm of distributors in Prague, to whom can be entrusted the representation for the whole republic and the conclusion of sub-agency arrangements. It is not easy to find good representatives, as the most reliable and experienced distributors have already their connections for a full line of automobiles. Last year thirteen United States, six French, and one German agencies were placed in addition to those already established, and this will serve to indicate how completely the foreign motor car companies have established contact with the Czechoslovakian market.

CHAPTER IX

Canadian-Czechoslovak Trade Agreement

Notes were exchanged in Prague on December 20, 1926, between representatives of the Dominion of Canada and the Czechoslovak Republic embodying a provisional agreement for the regulation of trade relations between the two countries.

This provisional trade agreement is effective for a period of fifteen months, subject to three months' notice of termination by either of the contracting parties. It came into force on January 1, 1927. Before the expiration of the agreement both the contracting parties agree to commence the necessary negotiations for the conclusion of a more definite trade treaty on the basis of the mutual exchange of most-favoured-nation treatment.

By terms of the agreement the Dominion of Canada extends to the products of the Czechoslovak Republic the rates of the intermediate tariff, while Czechoslovakia in return extends most-favoured-nation treatment to a selected list of Canadian products comprising in all seventy-one items of the Czechoslovak Customs Tariff. This list includes those products which Canada is most interested in exporting to the Czechoslovak Republic, such as grain; flour; fresh and dried fish; seeds; meat; butter; cheese; lard; live cattle and other animals; honey; fish; canned fish, meat, fruits, and vegetables; minerals and metals; rubber footwear; rubber tires; agricultural tools and machinery; adding machines; automobiles; and a number of other products of less importance.

A list of the items of the Czechoslovak Customs Tariff covered by the agreement is available at the Department of Trade and Commerce, Ottawa, with the conventional and general rates of duty. The conventional rates apply to Canadian goods under the terms of the agreement, while the general rates are those which would have applied to Canadian goods if no agreement had been concluded.

ADVANTAGES TO CANADA

The most important article at present exported from Canada to Czechoslovakia is flour, of which over 500,000 barrels a year are being shipped. Owing to the fact that this flour is usually consigned in the first instance to the Free Port of Hamburg, the Canadian trade returns do not give an adequate indication of the volume of trade with Czechoslovakia in Canadian flour. Since the Czechoslovak authorities now require certificates of origin for imported flour, more exact data are available regarding the quantity of Canadian flour consumed in Czechoslovakia. Thus during the two months of October and November, 1926, the office of the Canadian Trade Commissioner at Hamburg issued certificates of origin for over 120,000 barrels of Canadian flour to be shipped to Czechoslovakia. This would not take account of certain quantities imported into the latter country under original certificates obtained in Canada.

The capacity of the mills in Czechoslovakia is stated to be nearly equal to the flour requirements of the republic, but it must be remembered that there are only a limited number of large commercial mills. Before the war the cities of what now constitutes Czechoslovakia were supplied with flour in common with the other cities of the Austro-Hungarian Empire from the mills of Budapest.

The few large commercial mills in Czechoslovakia are equipped to mill local or Hungarian wheat, and they are mostly so situated that it is difficult for them to import Canadian wheat to advantage. Since the war the consumers in Prague, Brünn, and other cities of Czechoslovakia have become accustomed to the use of Canadian flour, which is particularly valued on account of its strength for mixing purposes. The local mills are not in a position to supply a flour of similar strength, so that Canadian flour should continue to be imported in large quantities.

The object of the duties recently imposed on flour is to promote the establishment of large commercial mills in Czechoslovak territory, but this is a process of time which is subject to many contingencies. In the meantime the continuance of the trade with Czechoslovakia in Canadian flour is assured by the conclusion of the above-mentioned trade agreement.

Besides flour, Canada is able to export to Czechoslovakia a number of other food products, such as those already enumerated. With regard to manufactured goods, the trade agreement is chiefly of interest to the Canadian agricultural machinery, automobile, and rubber industries, all of which should materially increase their sales to Czechoslovakia, as hitherto their products have been subject to a discrimination in duty as compared with similar products imported from the United States and other countries having trade treaties with Czechoslovakia.

Certain products imported into Czechoslovakia are still subject to import license. A clause in the trade agreement provides that no import prohibition or restriction will be maintained by one of the contracting parties against the products of the other parties which does not equally apply to the products of any other foreign country.

In the case of many of the products subject to import license on importation into Czechoslovakia, the licenses are granted without restriction provided that application is made by a bona fide Czechoslovak importer. This is the case with flour. The importation of other products is deliberately restricted as a protection to local industry or for other reasons as is the case with automobiles, but each country with a most-favoured-nation agreement is entitled to a minimum contingent or quota of 500 cars a year. This minimum quota is frequently exceeded on application by the country interested. Canada has hitherto been entitled to no quota, while Canadian automobiles have been subject to the general or higher rate of duty. Under the trade agreement Canada becomes entitled to a minimum quota as a result of most-favoured-nation treatment, but in order that an automobile may be imported under the Canadian quota the Czechoslovak authorities will probably require that a certain proportion of the cost of production should be incurred in the Dominion. Further information on this subject is available at the Department of Trade and Commerce, Ottawa.

CHAPTER X

Czechoslovak Commercial Treaties with Hungary and Austria

Two important commercial treaties, providing for a large number of tariff reductions, have recently come into force in Czechoslovakia. These are the commercial treaty with Hungary and the commercial agreement with Austria. The former, after lengthy negotiations, was signed on May 31 last and came into force on August 8, 1927. The agreement with Austria re-establishes normal economic relations between the two countries, which ceased to exist last April with the breakdown of the negotiations then being conducted. This agreement was signed on July 21 last and came into force in Czechoslovakia on August 15, 1927.

TREATY WITH HUNGARY

The Commercial Treaty between Czechoslovakia and Hungary is a very long document and is intended to regulate the economic relations between two states which are neighbours. In respect to customs duties, the treaty provides for mutual most-favoured-nation treatment and reciprocal concessions for Hungarian agricultural products in Czechoslovakia and for Czechoslovak textile and other finished goods in Hungary. Most of the tariff concessions granted by Czechoslovakia are not of much interest to Canada. The treaty, however, re-

establishes the former Czechoslovak conventional duty of 192 crowns (1 Czechoslovak crown = \$0.0296) per 100 kg. (22 pounds), applicable to other agricultural machinery and apparatus of iron, which lapsed last year with the termination of the agreements with Austria.

With respect to wheat and flour, the Czechoslovak duties on which gave rise to most of the difficulties in the negotiations, the treaty provides for the maintenance of the present conventional duties of 30 crowns per 100 kg. on wheat and 70 crowns per 100 kg. on flour and milled products. In an annex to the treaty it is further provided that if the Czechoslovak Government should reduce the duty on wheat or rye, the duty on flour and other products milled from these grains will be also reduced in proportion down to the rate of 20 crowns.

Concessions have also been accorded in respect to the Czechoslovak system of duty-free import licenses for grain in return for exports of grain and milled products. It is provided in the annex to the treaty that these import licenses will be non-transferable and will be valid for no longer than nine months, while the raw product value of 100 kg. of flour or other products milled from wheat or rye is not to be fixed at more than 115 kg. of wheat or rye.

AGREEMENT WITH AUSTRIA

The commercial agreement with Austria is supplementary to the commercial agreement between the two countries of May 4, 1921. The agreement fixes the conventional rates of duty in respect to a large number of items of the Czechoslovak tariff. Textile products are particularly affected and in only a few instances are the tariff reductions of interest to Canada. The Czechoslovak conventional duty on plough bodies, plough heads, mould-boards, plough-shares, coulters of iron, is fixed by the agreement at 168 crowns per 100 kg. The agreement also re-establishes the former conventional duty of 176 crowns per 100 kg. on finished clamps, hoes, spades, and trowels, while on forks for hay and manure the conventional duty is fixed at 280 crowns.

EXCHANGE PROVISION

An interesting provision contained in both the treaty with Hungary and the agreement with Austria is that if the value of the Czechoslovak crown in relation to the dollar or the pound sterling rises or falls by at least 10 per cent (average for a full month) above or below the average quotation for 1925, the Czechoslovak Government may introduce a "coefficient of exchange", so that the duties may maintain the value which they had in relation to the average 1925 quotation.

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